

State: Colorado
TOI/Sub-TOI: HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004E Small Group Only
- Other
Product Name: HMO Colorado Small Group Rate Filing Effective 1/1/2014
Project Name/Number: /

Filing at a Glance

Company: HMO Colorado, Inc.
Product Name: HMO Colorado Small Group Rate Filing Effective 1/1/2014
State: Colorado
TOI: HOrg02G Group Health Organizations - Health Maintenance (HMO)
Sub-TOI: HOrg02G.004E Small Group Only - Other
Filing Type: Rate
Date Submitted: 05/14/2013
SERFF Tr Num: AWLP-129016152
SERFF Status: Closed-Filed
State Tr Num: 278046
State Status: Filed
Co Tr Num:

Implementation: 01/01/2014
Date Requested:
Author(s): Stephanie Dulz, Steven Spelshaus, Zachary Winslow, Ryan Othman
Reviewer(s): Cathy Gilliland (primary), Nichole Boggess, Michael Muldoon, Amy Filler, Kyle Edrington,
Rachel Plummer

Disposition Date: 08/08/2013
Disposition Status: Filed
Implementation Date: 01/01/2014

State Filing Description:

SERFF Binder Filings: ATHK-CO14-125001024, ATHK-CO14-125001199 state codes 701-645

State: Colorado
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Filing Company: HMO Colorado, Inc.

General Information

Project Name: Status of Filing in Domicile:
Project Number: Date Approved in Domicile:
Requested Filing Mode: File & Use Domicile Status Comments:
Explanation for Combination/Other: Market Type: Group
Submission Type: New Submission Group Market Size: Small
Group Market Type: Association, Employer Overall Rate Impact:
Filing Status Changed: 08/08/2013
State Status Changed: 08/02/2013 Deemer Date:
Created By: Zachary Winslow Submitted By: Zachary Winslow
Corresponding Filing Tracking Number:

PPACA: Non-Grandfathered Immed Mkt Reforms

PPACA Notes: null

Exchange Intentions: Some products included in this filing will be available on the Colorado Health Benefit Exchange.

Filing Description:

The purpose of this rate filing is to establish new product rates that are reasonable relative to the benefits provided and to demonstrate compliance with state laws and provisions of the Affordable Care Act (ACA). The rates will be in-force for effective dates on or after January 1, 2014. Subsequent rate changes will be implemented quarterly as discussed in more detail in Section R. Unified Rate Review Template Index Rate. These rates will apply to plans offered both On-Exchange and Off-Exchange. This rate filing is not intended to be used for other purposes.

State Narrative:

State Tracking #278046
Company: HMO Colorado
Product Line: Small Group HMO

Rate Change Summary

Effective Date of New Rate Implementation: 1/1/2014 through 12/31/2014

This is a New ACA Compliant Filing for 2014, there is no rate change involved with this filing.

The purpose of this rate filing is to establish new product rates that are reasonable relative to the benefits provided and to demonstrate compliance with state laws and provisions of the Affordable Care Act (ACA).

On Exchange Only Plans

Gold: 1 plan

Silver: 1 plan

Bronze: 1 plan

Off Exchange Only Plans

Gold: 7 plans

Silver: 12 plans

Bronze: 3 plans

State: Colorado **Filing Company:** HMO Colorado, Inc.
TOI/Sub-TOI: HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004E Small Group Only
- Other
Product Name: HMO Colorado Small Group Rate Filing Effective 1/1/2014
Project Name/Number: /

Company and Contact

Filing Contact Information

Steve Spelshaus, Actuarial Dir steven.spelshaus@anthem.com
700 Broadway 303-831-2073 [Phone]
Denver, CO 80273

Filing Company Information

| | | |
|-----------------------------|---------------------------------|-----------------------------|
| HMO Colorado, Inc. | CoCode: 95473 | State of Domicile: Colorado |
| 700 Broadway | Group Code: 671 | Company Type: Life, |
| Denver, CO 80373 | Group Name: WellPoint Inc Group | Accident, Health |
| (805) 713-5243 ext. [Phone] | FEIN Number: 84-1017384 | State ID Number: |

Filing Fees

Fee Required? No

Retaliatory? No

Fee Explanation:

State Specific

Please enter state-specific code(s) found in Colorado's Filing Requirements Bulletins, or on the General Instructions page.

Please list all applicable state-specific codes. If no codes are applicable, please enter N/A.: 701,564

All rate and loss cost filing types MUST be submitted with completed Rate Data Fields in accordance with Sections 10-4-401 and 10-16-107 C.R.S. This requirement does not apply to form filing types. Rate and loss cost filings not including this data will be rejected. If this is a rate or loss cost filing, have these fields been completed?: yes

Have you completed the Forms Schedule Tab? ALL Life, Accident, and Health Rate and Form filing types require the Form Schedule Tab to be completed. In addition, all Form, Annual Form Certification, and Refund Calculation filing types require the Form Schedule Tab to be completed. The actual form must be attached to Form filing types only when filing: Medicare Supplement, Long-Term Care Partnership, Stop Loss, P&C Summary Disclosure Forms, and Workers Compensation. It is not necessary to submit the actual form for other lines of insurance. Thank you.: yes

| | | | |
|-----------------------------|---|------------------------|--------------------|
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| TOI/Sub-TOI: | HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004E Small Group Only - Other | | |
| Product Name: | HMO Colorado Small Group Rate Filing Effective 1/1/2014 | | |
| Project Name/Number: | / | | |

Correspondence Summary

Dispositions

| Status | Created By | Created On | Date Submitted |
|--------|-----------------|------------|----------------|
| Filed | Nichole Boggess | 08/08/2013 | 08/08/2013 |

Objection Letters and Response Letters

Objection Letters

| Status | Created By | Created On | Date Submitted |
|---------------------------|-----------------|------------|----------------|
| Pending Industry Response | Cathy Gilliland | 06/19/2013 | 06/19/2013 |
| Pending Industry Response | Rachel Plummer | 06/10/2013 | 06/10/2013 |
| Pending Industry Response | Cathy Gilliland | 05/29/2013 | 05/29/2013 |
| Pending Industry Response | Cathy Gilliland | 05/22/2013 | 05/22/2013 |
| Pending Industry Response | Cathy Gilliland | 05/15/2013 | 05/15/2013 |

Response Letters

| Responded By | Created On | Date Submitted |
|-----------------|------------|----------------|
| Zachary Winslow | 06/20/2013 | 06/20/2013 |
| Zachary Winslow | 06/19/2013 | 06/19/2013 |
| Zachary Winslow | 05/31/2013 | 05/31/2013 |
| Zachary Winslow | 05/24/2013 | 05/31/2013 |
| Zachary Winslow | 05/16/2013 | 05/16/2013 |

Amendments

| Schedule | Schedule Item Name | Created By | Created On | Date Submitted |
|---------------------|------------------------------|-----------------|------------|----------------|
| Supporting Document | Unified Rate Review Template | Zachary Winslow | 07/30/2013 | 07/30/2013 |

| | | | |
|-----------------------------|---|------------------------|--------------------|
| State: | Colorado | Filing Company: | HMO Colorado, Inc. |
| TOI/Sub-TOI: | HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004E Small Group Only - Other | | |
| Product Name: | HMO Colorado Small Group Rate Filing Effective 1/1/2014 | | |
| Project Name/Number: | / | | |

Amendments

| Schedule | Schedule Item Name | Created By | Created On | Date Submitted |
|---------------------|-------------------------------|-----------------|------------|----------------|
| Supporting Document | Colorado Actuarial Memorandum | Zachary Winslow | 07/24/2013 | 07/26/2013 |

Filing Notes

| Subject | Note Type | Created By | Created On | Date Submitted |
|--|------------------|------------------|------------|----------------|
| Disposition letter | Note To Filer | Nichole Boggess | 08/08/2013 | 08/08/2013 |
| Separate Max OOPM for Med and Rx Benefits: Anthem Supporting Informaton | Note To Reviewer | Steven Spelshaus | 08/01/2013 | 08/01/2013 |
| Product Offering Update | Note To Reviewer | Zachary Winslow | 07/31/2013 | 07/31/2013 |
| Product Offering Finalization | Note To Reviewer | Zachary Winslow | 07/26/2013 | 07/26/2013 |
| Response Date Moved Up to June 21st. | Note To Filer | Michael Muldoon | 06/19/2013 | 06/19/2013 |

| | | | | | |
|-----------------------------|---|--------------------------|--------------------|----------------------------|--|
| SERFF Tracking #: | AWLP-129016152 | State Tracking #: | 278046 | Company Tracking #: | |
| <hr/> | | | | | |
| State: | Colorado | Filing Company: | HMO Colorado, Inc. | | |
| TOI/Sub-TOI: | HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004E Small Group Only - Other | | | | |
| Product Name: | HMO Colorado Small Group Rate Filing Effective 1/1/2014 | | | | |
| Project Name/Number: | / | | | | |

Disposition

Disposition Date: 08/08/2013
Implementation Date: 01/01/2014
Status: Filed

HHS Status: HHS Approved
State Review: Reviewed by Actuary

Comment: State Tracking #278046
Company: HMO Colorado
Product Line: Small Group HMO

Rate Change Summary
Effective Date of New Rate Implementation: 1/1/2014 through 12/31/2014

This is a New ACA Compliant Filing for 2014, there is no rate change involved with this filing. The purpose of this rate filing is to establish new product rates that are reasonable relative to the benefits provided and to demonstrate compliance with state laws and provisions of the Affordable Care Act (ACA).

On Exchange Only Plans
Gold: 1 plan
Silver: 1 plan
Bronze: 1 plan

Off Exchange Only Plans
Gold: 3 plans (originally had 7 but removed 4)
Silver: 6 plans (originally had 12 but removed 6)
Bronze: 3 plans

Final Rate Filing Disposition
The Division has filed the rates in their final form after all adjustments. The following plans are being removed per the carrier's request:

Off Exchange:
Silver Plans: 76680CO0240009, 76680CO0240014, 76680CO0240015, 76680CO0240021, 76680CO0240022, 76680CO0240031

| | | | |
|-----------------------------|---|------------------------|--------------------|
| State: | Colorado | Filing Company: | HMO Colorado, Inc. |
| TOI/Sub-TOI: | HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004E Small Group Only - Other | | |
| Product Name: | HMO Colorado Small Group Rate Filing Effective 1/1/2014 | | |
| Project Name/Number: | / | | |

Gold Plans: 76680CO0240005, 76680CO0240007, 76680CO0240016, 76680CO0240023

| Company Name: | Company Rate Change: | Overall % Indicated Change: | Overall % Rate Impact: | Written Premium Change for this Program: | # of Policy Holders Affected for this Program: | Written Premium for this Program: | Maximum % Change (where req'd): | Minimum % Change (where req'd): |
|--------------------|----------------------|-----------------------------|------------------------|--|--|-----------------------------------|---------------------------------|---------------------------------|
| HMO Colorado, Inc. | New Product | 0.000% | 0.000% | \$0 | 0 | \$0 | 0.000% | 0.000% |

Percent Change Approved:

| | |
|--------------------------|--------|
| Minimum: | 0.000% |
| Maximum: | 0.000% |
| Weighted Average: | 0.000% |

| Schedule | Schedule Item | Schedule Item Status | Public Access |
|-------------------------------|---|----------------------|---------------|
| Supporting Document | HR-1 Form (H) | | Yes |
| Supporting Document | Consumer Disclosure Form | | Yes |
| Supporting Document (revised) | Actuarial Memorandum and Certifications | | Yes |
| Supporting Document | Actuarial Memorandum and Certifications | | Yes |
| Supporting Document | Actuarial Memorandum and Certifications | | Yes |
| Supporting Document (revised) | Unified Rate Review Template | | Yes |
| Supporting Document | Unified Rate Review Template | | Yes |
| Supporting Document | Colorado Actuarial Memorandum - Confidential Handling Requested | | No |
| Supporting Document (revised) | Colorado Actuarial Memorandum | | Yes |
| Supporting Document | Colorado Actuarial Memorandum | | Yes |
| Supporting Document | Colorado Actuarial Memorandum | | Yes |
| Supporting Document | Colorado Actuarial Memorandum | | Yes |
| Supporting Document | Rate Sample | | Yes |

SERFF Tracking #:

AWLP-129016152

State Tracking #:

278046

Company Tracking #:

State: Colorado

Filing Company:

HMO Colorado, Inc.

TOI/Sub-TOI: HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004E Small Group Only - Other

Product Name: HMO Colorado Small Group Rate Filing Effective 1/1/2014

Project Name/Number: /

| Schedule | Schedule Item | Schedule Item Status | Public Access |
|----------|---|----------------------|---------------|
| Form | Anthem Bronze Direct Access Plus gkqa | | Yes |
| Form | Anthem Silver Direct Access Plus ghqa | | Yes |
| Form | Anthem Gold Direct Access Plus gmpa | | Yes |
| Form | Anthem Core Guided Access Plus w/ Dental gjqa | | Yes |
| Form | Anthem Core Guided Access Plus gjqa | | Yes |
| Form | Anthem Core Guided Access Plus w/ Dental gjqa | | Yes |
| Form | Anthem Essential Direct Access Plus gzca | | Yes |
| Form | Anthem Essential Direct Access Plus gpda | | Yes |
| Form | Anthem Essential Direct Access gzia | | Yes |
| Form | Anthem Essential Direct Access ggja | | Yes |
| Form | Anthem Essential Guided Access Plus gcda | | Yes |
| Form | Anthem Essential Guided Access Plus gzca | | Yes |
| Form | Anthem Essential Guided Access gpja | | Yes |
| Form | Anthem Essential Guided Access grja | | Yes |
| Form | Anthem Essential Guided Access gsja | | Yes |
| Form | Anthem Essential Direct Access Plus ghpa | | Yes |
| Form | Anthem Essential Direct Access Plus gqpa | | Yes |
| Form | Anthem Essential Direct Access Plus gkda | | Yes |
| Form | Anthem Preferred Guided Access Plus gmca | | Yes |
| Form | Anthem Preferred Direct Access Plus gfda | | Yes |
| Form | Anthem Preferred Direct Access gvha | | Yes |
| Form | Anthem Preferred Guided Access gjha | | Yes |
| Form | Anthem Preferred Guided Access gbha | | Yes |

| | | | |
|-----------------------------|---|------------------------|--------------------|
| State: | Colorado | Filing Company: | HMO Colorado, Inc. |
| TOI/Sub-TOI: | HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004E Small Group Only - Other | | |
| Product Name: | HMO Colorado Small Group Rate Filing Effective 1/1/2014 | | |
| Project Name/Number: | / | | |

| Schedule | Schedule Item | Schedule Item Status | Public Access |
|----------------|--|----------------------|---------------|
| Form | Anthem Preferred Direct Access gwla | | Yes |
| Form | Anthem Preferred Direct Access Plus gmpa | | Yes |
| Rate (revised) | CO SG HMO Rate Manual | | Yes |
| Rate | CO SG HMO Rate Manual | | Yes |

Final Disposition Letter

State Tracking #278046

Company: HMO Colorado

Product Line: Small Group HMO

Rate Change Summary

Effective Date of New Rate Implementation: 1/1/2014 through 12/31/2014

This is a New ACA Compliant Filing for 2014, there is no rate change involved with this filing.

The purpose of this rate filing is to establish new product rates that are reasonable relative to the benefits provided and to demonstrate compliance with state laws and provisions of the Affordable Care Act (ACA).

On Exchange Only Plans

Gold: 1 plan

Silver: 1 plan

Bronze: 1 plan

Off Exchange Only Plans

Gold: 3 plans (originally had 7 but removed 4)

Silver: 6 plans (originally had 12 but removed 6)

Bronze: 3 plans

Rate Methodology

Experience Used for Rate Setting: Anthem's Colorado SG Experience Paid claims for all NGF and GF business incurred from Nov 2011 - Oct 2012 with paid claim runout through Dec 2012.

2012 Experience Period Loss Ratio: 87.2%

Annual Health Cost Trends: 10.1%

Risk Adjustment: 0.0% (payments expected to/from the federal Risk Adjustment Program in 2014).

Reinsurance Recoveries: 0.0% (payments expected from the federal Reinsurance Program in 2014).

Smoking Factor: 10.0% higher rates for smokers at all ages.

Age Rating: 3.0 to 1.0 age rating factor limits for all adults age 21 and over.

Colorado 2014 Overall Average Premium: \$383.70

Final Disposition Letter

* Federal Reported 2014 Comparable Average Premium: \$383.70

* This is reported on the issuer's CMS URRT Form submitted in HIOS. It represents a standardized average premium calculation that is used by CMS for comparing and gauging premium development. It is not necessarily the actual average premium, which is shown in the line above as Colorado 2014 Overall Average Premium.

Premium Retained to Cover Expenses, Taxes Fees and Profits

Administrative costs: Expenses the insurance company pays to operate this insurance plan.

This includes all expenses not directly related to paying claims, such as, but not limited to, salaries of company employees, the cost of the company's offices and equipment, commissions to agents to sell and service policies, subsidies to cover legally required plans such as portability, and taxes.

Profit: The amount of money remaining after claims and administrative expenses are paid. Margin is the comparable term for a nonprofit insurance company.

Total premium retention is 21.9% shown as follows:

| | | % of Premium |
|--|---------------------------------------|-----------------|
| <u>Issuer Primary Expense and Profit Retention</u> | | <u>Retained</u> |
| | Administrative Expenses: | 4.96% |
| | Commissions: | 4.30% |
| | Profit and Contingencies After Taxes: | 3.90% |
| | Contingencies: | 0.00% |
| | FIT - Federal Income Taxes: | 2.20% |
| | Investment Income: | 1.00% |
| (A) | Total: | 16.36% |
| <u>Retention for Additional Required Taxes, Fees and Assessments</u> | | |
| | PPACA Health Insurer Fee: | 2.67% |
| | PPACA Reinsurance Fee: | 1.33% |
| | PPACA CERF Fee: | 0.00% |
| | PPACA Risk Adjustment User Fee: | 0.02% |
| | PPACA PCORI Fee: | 0.04% |
| | Exchange user fees: | 0.55% |
| | Premium Taxes: | 0.00% |
| | State Income Taxes: | 0.00% |
| | Other Fees, Assessments, Taxes: | 0.20% |

Final Disposition Letter

(B) Total: 4.81%

Additional Allowed for QI & Member Welfare Section

Quality Improvement: 0.74%

Community Charitable:

IT for ICD-10 Conversion (max allowed 0.3%):

(C) Total: 0.74%

(D) Total Premium Retention For All Purposes (A + B + C): 21.91%

(E) Colorado Conventional Loss Ratio (100% - D): 78.09%

Federal MLR Loss Ratio Basis: (E + C) / (100% - B - FIT): 84.77%

Sample of Final Premium Levels

| | Denver | | | | Fort Collins | | | |
|--------|-------------|----------|-------------|----------|--------------|----------|-------------|------------|
| | 21 Year Old | | 64 Year Old | | 21 Year Old | | 64 Year Old | |
| | Low | High | Low | High | Low | High | Low | High |
| Gold | \$306.04 | \$328.25 | \$918.12 | \$984.75 | 327.88 | \$345.88 | \$983.64 | \$1,037.64 |
| Silver | \$247.95 | \$284.39 | \$743.85 | \$853.17 | 261.27 | \$299.23 | \$783.81 | \$897.69 |
| Bronze | \$207.56 | \$238.38 | \$622.68 | \$715.14 | 218.71 | \$218.71 | \$656.13 | \$656.13 |

| | Grand Junction | | | | Pueblo | | | |
|--------|----------------|----------|-------------|------------|-------------|----------|-------------|------------|
| | 21 Year Old | | 64 Year Old | | 21 Year Old | | 64 Year Old | |
| | Low | High | Low | High | Low | High | Low | High |
| Gold | \$348.78 | \$367.92 | \$1,046.34 | \$1,103.76 | \$326.78 | \$344.72 | \$980.34 | \$1,034.16 |
| Silver | \$277.92 | \$318.31 | \$833.76 | \$954.93 | \$260.39 | \$298.23 | \$781.17 | \$894.69 |
| Bronze | \$232.65 | \$232.65 | \$697.95 | \$697.95 | \$217.98 | \$217.98 | \$653.94 | \$653.94 |

Division Objections and Rate Changes During the Review Process

Objections and edits due to the general completeness of the filing that did not affect the final rates

Objections and subsequent edits for the Out-of-Area rating factors that were adjusted in the filing

Final Rate Filing Disposition

The Division has filed the rates in their final form after all adjustments. The following plans are being removed per the carrier's request:

Off Exchange:

Final Disposition Letter

Silver Plans: 76680CO0240009, 76680CO0240014, 76680CO0240015, 76680CO0240021, 76680CO0240022, 76680CO0240031

Gold Plans: 76680CO0240005, 76680CO0240007, 76680CO0240016, 76680CO0240023

State: Colorado
TOI/Sub-TOI: HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004E Small Group Only
- Other
Product Name: HMO Colorado Small Group Rate Filing Effective 1/1/2014
Project Name/Number: /

Objection Letter

| | |
|-------------------------|---------------------------|
| Objection Letter Status | Pending Industry Response |
| Objection Letter Date | 06/19/2013 |
| Submitted Date | 06/19/2013 |
| Respond By Date | 06/21/2013 |

Dear Steve Spelshaus,

Introduction:

This filing has been received, but before further action can be taken, please address the following:

Objection 1

Comments: You indicate area rating factors in your rate manual for Out-Of-Area.

Please indicate exactly what employer groups, and what members of employer groups, these out-of-area factors would apply.

Please indicate where in the rate data template these rates are submitted.

Note that employees residing out-of-state should use the area factor based on the Small Employer's location in Colorado

Conclusion:

Colorado Insurance Regulation 1-1-8 requires that every person shall provide a complete response in writing to any inquiry from the Division of Insurance. This reply must be submitted by 06/26/2013, which is within 7 calendar days from the date of this correspondence. If additional time is required to provide a complete response, including any documentation which is requested, a request for an extension of time must be submitted by 06/26/2013.

The request for an extension of time must state the reason for such request and the number of additional days required to provide a complete response. Requests for additional time will be granted for good cause shown and for a reasonable period at the discretion of the Division. Requests for an extension of time must be submitted through SERFF.

Failure to provide a full or complete response, or to request an extension for a specified period, may result in the imposition of a \$500 fine under Colorado Insurance Regulation 1-1-8 and applicable surcharge pursuant to §24-34-108(2), C.R.S. This surcharge will be used to fund the development, implementation and maintenance of a consumer outreach and education program. Pursuant to Section 6 of Colorado Insurance Regulation 1-1-8, and after notice and hearing, additional sanctions may be sought under C.R.S. 10-1-215 and other fining and penalty provisions of Title 10.

Sincerely,

Cathy Gilliland

State: Colorado
TOI/Sub-TOI: HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004E Small Group Only
- Other
Product Name: HMO Colorado Small Group Rate Filing Effective 1/1/2014
Project Name/Number: /

Objection Letter

| | |
|-------------------------|---------------------------|
| Objection Letter Status | Pending Industry Response |
| Objection Letter Date | 06/10/2013 |
| Submitted Date | 06/10/2013 |
| Respond By Date | 06/24/2013 |

Dear Steve Spelshaus,

Introduction:

This filing has been received, but before further action can be taken, please address the following:

Objection 1

Comments: Part III Actuarial Memorandum is missing a signature by a actuary in the Actuarial Certification section. Please provide or Act Memo is not valid.

Objection 2

Comments: Please include the "Reliance" section of the Part III Actuarial Memorandum. If, in preparing the Part I Unified Rate Review Template submission, the certifying actuary relied on any information or underlying assumptions provided by another individual, the information relied upon and the name of the individual providing that information may be disclosed. This should be located after the "Effective Rate Review Information" section.

Conclusion:

If any of the requested rate information results in changes to the filing forms (HR-1 or A, B, C or D), please also submit revised forms.

Colorado Insurance Regulation 1-1-8 requires that every person shall provide a complete response in writing to any inquiry from the Division of Insurance. This reply must be submitted by 06/24/2013, which is within 14 calendar days from the date of this correspondence. If additional time is required to provide a complete response, including any documentation which is requested, a request for an extension of time must be submitted by 06/24/2013.

The request for an extension of time must state the reason for such request and the number of additional days required to provide a complete response. Requests for additional time will be granted for good cause shown and for a reasonable period at the discretion of the Division. Requests for an extension of time must be submitted through SERFF.

Failure to provide a full or complete response, or to request an extension for a specified period, may result in the imposition of a \$500 fine under Colorado Insurance Regulation 1-1-8 and applicable surcharge pursuant to §24-34-108(2), C.R.S. This surcharge will be used to fund the development, implementation and maintenance of a consumer outreach and education program. Pursuant to Section 6 of Colorado Insurance Regulation 1-1-8, and after notice and hearing, additional sanctions may be sought under C.R.S. 10-1-215 and other fining and penalty provisions of Title 10.

Sincerely,

Rachel Plummer

State: Colorado
TOI/Sub-TOI: HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004E Small Group Only
- Other
Product Name: HMO Colorado Small Group Rate Filing Effective 1/1/2014
Project Name/Number: /

Objection Letter

| | |
|-------------------------|---------------------------|
| Objection Letter Status | Pending Industry Response |
| Objection Letter Date | 05/29/2013 |
| Submitted Date | 05/29/2013 |
| Respond By Date | 05/30/2013 |

Dear Steve Spelshaus,

Introduction:

This filing has been received, but before further action can be taken, please address the following:

Objection 1

Comments: If there are any excel docs attached, please also provide them in a PDF doc as we are having issues with excel attachments

Conclusion:

Colorado Insurance Regulation 1-1-8 requires that every person shall provide a complete response in writing to any inquiry from the Division of Insurance. This reply must be submitted by 05/30/2013, which is within 1 calendar days from the date of this correspondence. If additional time is required to provide a complete response, including any documentation which is requested, a request for an extension of time must be submitted by 05/30/2013.

The request for an extension of time must state the reason for such request and the number of additional days required to provide a complete response. Requests for additional time will be granted for good cause shown and for a reasonable period at the discretion of the Division. Requests for an extension of time must be submitted through SERFF.

Failure to provide a full or complete response, or to request an extension for a specified period, may result in the imposition of a \$500 fine under Colorado Insurance Regulation 1-1-8 and applicable surcharge pursuant to §24-34-108(2), C.R.S. This surcharge will be used to fund the development, implementation and maintenance of a consumer outreach and education program. Pursuant to Section 6 of Colorado Insurance Regulation 1-1-8, and after notice and hearing, additional sanctions may be sought under C.R.S. 10-1-215 and other fining and penalty provisions of Title 10.

Sincerely,

Cathy Gilliland

State: Colorado
TOI/Sub-TOI: HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004E Small Group Only
- Other
Product Name: HMO Colorado Small Group Rate Filing Effective 1/1/2014
Project Name/Number: /

Objection Letter

| | |
|-------------------------|---------------------------|
| Objection Letter Status | Pending Industry Response |
| Objection Letter Date | 05/22/2013 |
| Submitted Date | 05/22/2013 |
| Respond By Date | 06/05/2013 |

Dear Steve Spelshaus,

Introduction:

This filing has been received, but before further action can be taken, please address the following:

Objection 1

Comments: Please correct the general information tab for requested filing mode to file and use

Objection 2

Comments: Please provide the rate impact (0%) on the rate rule schedule: Overall % Indicated Change: Overall % Rate Impact: Written Premium Change for this Program: # of Policy Holders Affected for this Program: Written Premium for this Program: Maximum % Change (where required): Minimum % Change (where required).

Objection 3

- Actuarial Memorandum and Certifications (Supporting Document)

Comments: Please sign the Actuarial Certification.

Objection 4

- Colorado Actuarial Memorandum (Supporting Document)

Comments: regulation 4-2-11 section 6 (E) Please indicate which of the following PPACA benefits your plan has implemented:

Eliminate Annual Dollar Limits on Essential Benefits, Section 2711 of the PHSA/Section 1001 of the PPACA

Eliminate Lifetime Dollar Limits on Essential Benefits, Section 2711 of the PHSA/Section 1001 of the PPACA

Eliminate Pre-existing Condition Exclusions for Enrollees Under Age 19, Section 2711 of the PHSA/Section 1201 of the PPACA

Prohibit Rescissions, Section 2712 of the PHSA/Section 1001 of PPACA

Preventive Services, Section 2713 of the PHSA/Section 1001 of the PPACA

Extends Dependent Coverage for Children Until age 26, Section 2714 of the PHSA/Section 1001 of the PPACA

Appeals Process, Section 2719 of the PHSA/Section 1001 of the PPACA

Emergency Services, Section 2719A of the PHSA/Section 10101 of the PPACA

Access to Pediatricians, Section 2719A of the PHSA/Section 10101 of the PPACA

Access to OB/GYNs, Section 2719A of the PHSA/Section 10101 of the PPACA

Objection 5

- Colorado Actuarial Memorandum (Supporting Document)

Comments: Regulation 4-2-11 section 6 (C) If the length of the rating period is not clearly identified, it will be assumed to be for twelve months, starting from the proposed implementation date.

Objection 6

- Colorado Actuarial Memorandum (Supporting Document)

Comments: exhibit O & P should be annual and should match the view rate review detail on the projected premiums and claims

Conclusion:

Colorado Insurance Regulation 1-1-8 requires that every person shall provide a complete response in writing to any inquiry from the Division of Insurance. This reply must be submitted by 06/05/2013, which is within 14 calendar days from the date of this

State: Colorado **Filing Company:** HMO Colorado, Inc.
TOI/Sub-TOI: HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004E Small Group Only
- Other
Product Name: HMO Colorado Small Group Rate Filing Effective 1/1/2014
Project Name/Number: /

correspondence. If additional time is required to provide a complete response, including any documentation which is requested, a request for an extension of time must be submitted by 06/05/2013.

The request for an extension of time must state the reason for such request and the number of additional days required to provide a complete response. Requests for additional time will be granted for good cause shown and for a reasonable period at the discretion of the Division. Requests for an extension of time must be submitted through SERFF.

Failure to provide a full or complete response, or to request an extension for a specified period, may result in the imposition of a \$500 fine under Colorado Insurance Regulation 1-1-8 and applicable surcharge pursuant to §24-34-108(2), C.R.S. This surcharge will be used to fund the development, implementation and maintenance of a consumer outreach and education program. Pursuant to Section 6 of Colorado Insurance Regulation 1-1-8, and after notice and hearing, additional sanctions may be sought under C.R.S. 10-1-215 and other fining and penalty provisions of Title 10.

Sincerely,

Cathy Gilliland

State: Colorado **Filing Company:** HMO Colorado, Inc.
TOI/Sub-TOI: HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004E Small Group Only
- Other
Product Name: HMO Colorado Small Group Rate Filing Effective 1/1/2014
Project Name/Number: /

Objection Letter

| | |
|-------------------------|---------------------------|
| Objection Letter Status | Pending Industry Response |
| Objection Letter Date | 05/15/2013 |
| Submitted Date | 05/15/2013 |
| Respond By Date | 05/22/2013 |

Dear Steve Spelshaus,

Introduction:

This filing has been received, but before further action can be taken, please address the following:

Objection 1

Comments: Please provide a binder or binder # for this rate filing.

Conclusion:

Colorado Insurance Regulation 1-1-8 requires that every person shall provide a complete response in writing to any inquiry from the Division of Insurance. This reply must be submitted by 05/22/2013, which is within 7 calendar days from the date of this correspondence. If additional time is required to provide a complete response, including any documentation which is requested, a request for an extension of time must be submitted by 05/22/2013.

The request for an extension of time must state the reason for such request and the number of additional days required to provide a complete response. Requests for additional time will be granted for good cause shown and for a reasonable period at the discretion of the Division. Requests for an extension of time must be submitted through SERFF.

Failure to provide a full or complete response, or to request an extension for a specified period, may result in the imposition of a \$500 fine under Colorado Insurance Regulation 1-1-8 and applicable surcharge pursuant to §24-34-108(2), C.R.S. This surcharge will be used to fund the development, implementation and maintenance of a consumer outreach and education program. Pursuant to Section 6 of Colorado Insurance Regulation 1-1-8, and after notice and hearing, additional sanctions may be sought under C.R.S. 10-1-215 and other fining and penalty provisions of Title 10.

Sincerely,
Cathy Gilliland

| | | | |
|----------------------|---|-----------------|--------------------|
| State: | Colorado | Filing Company: | HMO Colorado, Inc. |
| TOI/Sub-TOI: | HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004E Small Group Only - Other | | |
| Product Name: | HMO Colorado Small Group Rate Filing Effective 1/1/2014 | | |
| Project Name/Number: | / | | |

Response Letter

| | |
|------------------------|--------------------|
| Response Letter Status | Submitted to State |
| Response Letter Date | 06/20/2013 |
| Submitted Date | 06/20/2013 |

Dear Cathy Gilliland,

Introduction:

Response 1

Comments:

As the objection notes, Out-of-Area (OOA) rates do not apply to members living outside Colorado as rating is based on the employer's location. Please allow for an update to the supporting documents and rate/review schedules to remove OOA rating factors from the Part III Federal Actuarial Memorandum, State Actuarial Memorandum, Excel Exhibits document, and rating manual.

Related Objection 1

Comments: You indicate area rating factors in your rate manual for Out-Of-Area.
Please indicate exactly what employer groups, and what members of employer groups, these out-of-area factors would apply.
Please indicate where in the rate data template these rates are submitted.
Note that employees residing out-of-state should use the area factor based on the Small Employer's location in Colorado

Changed Items:

| | | | |
|-----------------------------|---|------------------------|--------------------|
| State: | Colorado | Filing Company: | HMO Colorado, Inc. |
| TOI/Sub-TOI: | HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004E Small Group Only - Other | | |
| Product Name: | HMO Colorado Small Group Rate Filing Effective 1/1/2014 | | |
| Project Name/Number: | / | | |

| Supporting Document Schedule Item Changes | |
|---|---|
| Satisfied - Item: | Actuarial Memorandum and Certifications |
| Comments: | |
| Attachment(s): | CO SG HMO Fed Act Memo v3.pdf |
| <i>Previous Version</i> | |
| Satisfied - Item: | Actuarial Memorandum and Certifications |
| Comments: | |
| Attachment(s): | CO SG HMO Fed Act Memo v2.pdf |
| <i>Previous Version</i> | |
| Satisfied - Item: | Actuarial Memorandum and Certifications |
| Comments: | |
| Attachment(s): | CO SG HMO Fed Act Memo.pdf |

| | |
|--------------------------|--|
| Satisfied - Item: | Colorado Actuarial Memorandum |
| Comments: | |
| Attachment(s): | CO SG HMO Annualized Premium & Claim Projection.pdf CO SG HMO State Act Memo v2.pdf CO SG HMO Excel Exhibits v2.xlsx |
| <i>Previous Version</i> | |
| Satisfied - Item: | Colorado Actuarial Memorandum |
| Comments: | |
| Attachment(s): | CO SG HMO Excel Exhibits.xlsx CO SG HMO State Act Memo.pdf CO SG HMO Annualized Premium & Claim Projection.pdf |
| <i>Previous Version</i> | |
| Satisfied - Item: | Colorado Actuarial Memorandum |
| Comments: | |

| | | | | | |
|--------------------------|----------------|--------------------------|--------|----------------------------|--|
| SERFF Tracking #: | AWLP-129016152 | State Tracking #: | 278046 | Company Tracking #: | |
|--------------------------|----------------|--------------------------|--------|----------------------------|--|

| | | | |
|-----------------------------|---|------------------------|--------------------|
| State: | Colorado | Filing Company: | HMO Colorado, Inc. |
| TOI/Sub-TOI: | HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004E Small Group Only - Other | | |
| Product Name: | HMO Colorado Small Group Rate Filing Effective 1/1/2014 | | |
| Project Name/Number: | / | | |

| | |
|-----------------------|---|
| Attachment(s): | <i>CO SG HMO Excel Exhibits.xlsx</i> <i>CO SG HMO State Act Memo.pdf</i> |
|-----------------------|---|

| | | | |
|-----------------------------|---|------------------------|--------------------|
| State: | Colorado | Filing Company: | HMO Colorado, Inc. |
| TOI/Sub-TOI: | HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004E Small Group Only - Other | | |
| Product Name: | HMO Colorado Small Group Rate Filing Effective 1/1/2014 | | |
| Project Name/Number: | / | | |

| Supporting Document Schedule Item Changes | |
|---|---|
| Satisfied - Item: | Actuarial Memorandum and Certifications |
| Comments: | |
| Attachment(s): | CO SG HMO Fed Act Memo v3.pdf |
| <i>Previous Version</i> | |
| Satisfied - Item: | Actuarial Memorandum and Certifications |
| Comments: | |
| Attachment(s): | CO SG HMO Fed Act Memo v2.pdf |
| <i>Previous Version</i> | |
| Satisfied - Item: | Actuarial Memorandum and Certifications |
| Comments: | |
| Attachment(s): | CO SG HMO Fed Act Memo.pdf |

| | |
|--------------------------|--|
| Satisfied - Item: | Colorado Actuarial Memorandum |
| Comments: | |
| Attachment(s): | CO SG HMO Annualized Premium & Claim Projection.pdf CO SG HMO State Act Memo v2.pdf CO SG HMO Excel Exhibits v2.xlsx |
| <i>Previous Version</i> | |
| Satisfied - Item: | Colorado Actuarial Memorandum |
| Comments: | |
| Attachment(s): | CO SG HMO Excel Exhibits.xlsx CO SG HMO State Act Memo.pdf CO SG HMO Annualized Premium & Claim Projection.pdf |
| <i>Previous Version</i> | |
| Satisfied - Item: | Colorado Actuarial Memorandum |
| Comments: | |

| | | | |
|-----------------------------|---|------------------------|--------------------|
| State: | Colorado | Filing Company: | HMO Colorado, Inc. |
| TOI/Sub-TOI: | HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004E Small Group Only - Other | | |
| Product Name: | HMO Colorado Small Group Rate Filing Effective 1/1/2014 | | |
| Project Name/Number: | / | | |

| | |
|-----------------------|---|
| Attachment(s): | <i>CO SG HMO Excel Exhibits.xlsx</i> <i>CO SG HMO State Act Memo.pdf</i> |
|-----------------------|---|

No Form Schedule items changed.

| | | | |
|-----------------------------|---|------------------------|--------------------|
| State: | Colorado | Filing Company: | HMO Colorado, Inc. |
| TOI/Sub-TOI: | HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004E Small Group Only - Other | | |
| Product Name: | HMO Colorado Small Group Rate Filing Effective 1/1/2014 | | |
| Project Name/Number: | / | | |

| Rate/Rule Schedule Item Changes | | | | | | |
|---------------------------------|---------------|--|-------------|-------------------------|-------------|----------------|
| Item No. | Document Name | Affected Form Numbers (Separated with commas) | Rate Action | Rate Action Information | Attachments | Date Submitted |

SERFF Tracking #:

AWLP-129016152

State Tracking #:

278046

Company Tracking #:

State:

Colorado

Filing Company:

HMO Colorado, Inc.

TOI/Sub-TOI:

HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004E Small Group Only - Other

Product Name:

HMO Colorado Small Group Rate Filing Effective 1/1/2014

Project Name/Number:

/

Rate/Rule Schedule Item Changes

| | | | | | | |
|---|--------------------------|--|-----|--|----------------------------------|-----------------------------------|
| 1 | CO SG HMO Rate Manual | EOC_ENG_HMOCOLOR ado_76680CO0230003 _20140101, EOC_ENG_HMOCOLOR ado_76680CO0230001 _20140101, EOC_ENG_HMOCOLOR ado_76680CO0230002 _20140101, EOC_ENG_HMOCOLOR ado_76680CO0240027 _20140101, EOC_ENG_HMOCOLOR ado_76680CO0240029 _20140101, EOC_ENG_HMOCOLOR ado_76680CO0240028 _20140101, EOC_ENG_HMOCOLOR ado_76680CO0240018 _20140101, EOC_ENG_HMOCOLOR ado_76680CO0240022 _20140101, EOC_ENG_HMOCOLOR ado_76680CO0240025 _20140101, EOC_ENG_HMOCOLOR ado_76680CO0240026 _20140101, EOC_ENG_HMOCOLOR | New | | CO SG HMO Rate Manual v2.pdf, | 06/20/2013 By: Zachary Winslow |
|---|--------------------------|--|-----|--|----------------------------------|-----------------------------------|

SERFF Tracking #:

AWLP-129016152

State Tracking #:

278046

Company Tracking #:

State:

Colorado

Filing Company:

HMO Colorado, Inc.

TOI/Sub-TOI:

HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004E Small Group Only - Other

Product Name:

HMO Colorado Small Group Rate Filing Effective 1/1/2014

Project Name/Number:

/

Rate/Rule Schedule Item Changes

| | | | | |
|--------------------|--|--|--|--|
| ado_76680CO0240008 | | | | |
| _20140101, | | | | |
| EOC_ENG_HMOCOLOR | | | | |
| ado_76680CO0240009 | | | | |
| _20140101, | | | | |
| EOC_ENG_HMOCOLOR | | | | |
| ado_76680CO0240013 | | | | |
| _20140101, | | | | |
| EOC_ENG_HMOCOLOR | | | | |
| ado_76680CO0240014 | | | | |
| _20140101, | | | | |
| EOC_ENG_HMOCOLOR | | | | |
| ado_76680CO0240015 | | | | |
| _20140101, | | | | |
| EOC_ENG_HMOCOLOR | | | | |
| ado_76680CO0240030 | | | | |
| _20140101, | | | | |
| EOC_ENG_HMOCOLOR | | | | |
| ado_76680CO0240031 | | | | |
| _20140101, | | | | |
| EOC_ENG_HMOCOLOR | | | | |
| ado_76680CO0240021 | | | | |
| _20140101, | | | | |
| EOC_ENG_HMOCOLOR | | | | |
| ado_76680CO0240002 | | | | |
| _20140101, | | | | |
| EOC_ENG_HMOCOLOR | | | | |
| ado_76680CO0240020 | | | | |
| _20140101, | | | | |
| EOC_ENG_HMOCOLOR | | | | |
| ado_76680CO0240023 | | | | |

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|----------------------|---|-----------------|--------------------|
| State: | Colorado | Filing Company: | HMO Colorado, Inc. |
| TOI/Sub-TOI: | HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004E Small Group Only - Other | | |
| Product Name: | HMO Colorado Small Group Rate Filing Effective 1/1/2014 | | |
| Project Name/Number: | / | | |

| Rate/Rule Schedule Item Changes | | | | | | |
|---------------------------------|--|--|--|--|--|--|
| | | _20140101, EOC_ENG_HMOCOLOR ado_76680CO0240005 | | | | |
| | | _20140101, EOC_ENG_HMOCOLOR ado_76680CO0240007 | | | | |
| | | _20140101, EOC_ENG_HMOCOLOR ado_76680CO0240016 | | | | |
| | | _20140101, EOC_ENG_HMOCOLOR ado_76680CO0240001 | | | | |
| | | _20140101 | | | | |
| Previous Version | | | | | | |

SERFF Tracking #:

AWLP-129016152

State Tracking #:

278046

Company Tracking #:

State: Colorado

Filing Company:

HMO Colorado, Inc.

TOI/Sub-TOI: HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004E Small Group Only - Other

Product Name: HMO Colorado Small Group Rate Filing Effective 1/1/2014

Project Name/Number: /

Rate/Rule Schedule Item Changes

| | | | | | | |
|---|--------------------------|--|--|--|-------------------------------|-----------------------------------|
| 1 | CO SG HMO Rate Manual | EOC_ENG_HMOCOLOR New ado_76680CO0230003 _20140101, EOC_ENG_HMOCOLOR ado_76680CO0230001 _20140101, EOC_ENG_HMOCOLOR ado_76680CO0230002 _20140101, EOC_ENG_HMOCOLOR ado_76680CO0240027 _20140101, EOC_ENG_HMOCOLOR ado_76680CO0240029 _20140101, EOC_ENG_HMOCOLOR ado_76680CO0240028 _20140101, EOC_ENG_HMOCOLOR ado_76680CO0240018 _20140101, EOC_ENG_HMOCOLOR ado_76680CO0240022 _20140101, EOC_ENG_HMOCOLOR ado_76680CO0240025 _20140101, EOC_ENG_HMOCOLOR ado_76680CO0240026 _20140101, EOC_ENG_HMOCOLOR | | | CO SG HMO Rate Manual.pdf, | 05/14/2013 By: Zachary Winslow |
|---|--------------------------|--|--|--|-------------------------------|-----------------------------------|

SERFF Tracking #:

AWLP-129016152

State Tracking #:

278046

Company Tracking #:

State:

Colorado

Filing Company:

HMO Colorado, Inc.

TOI/Sub-TOI:

HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004E Small Group Only - Other

Product Name:

HMO Colorado Small Group Rate Filing Effective 1/1/2014

Project Name/Number:

/

Rate/Rule Schedule Item Changes

ado_76680CO0240008
_20140101,
EOC_ENG_HMOCOLOR
ado_76680CO0240009
_20140101,
EOC_ENG_HMOCOLOR
ado_76680CO0240013
_20140101,
EOC_ENG_HMOCOLOR
ado_76680CO0240014
_20140101,
EOC_ENG_HMOCOLOR
ado_76680CO0240015
_20140101,
EOC_ENG_HMOCOLOR
ado_76680CO0240030
_20140101,
EOC_ENG_HMOCOLOR
ado_76680CO0240031
_20140101,
EOC_ENG_HMOCOLOR
ado_76680CO0240021
_20140101,
EOC_ENG_HMOCOLOR
ado_76680CO0240002
_20140101,
EOC_ENG_HMOCOLOR
ado_76680CO0240020
_20140101,
EOC_ENG_HMOCOLOR
ado_76680CO0240023

AWLP-129016152

State Tracking #:

278046

Company Tracking #:

State: Colorado

TOI/Sub-TOI: *HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004E Small Group Only - Other*

Product Name: HMO Colorado Small Group Rate Filing Effective 1/1/2014

Project Name/Number: /

[illegible]

_20140101,
EOC_ENG_HMOCColor
ado_76680CO0240005
_20140101,
EOC_ENG_HMOCColor
ado_76680CO0240007
_20140101,
EOC_ENG_HMOCColor
ado_76680CO0240016
_20140101,
EOC_ENG_HMOCColor
ado_76680CO0240001
_20140101

Conclusion:

Sincerely,
Zachary Winslow

| | | | |
|----------------------|---|-----------------|--------------------|
| State: | Colorado | Filing Company: | HMO Colorado, Inc. |
| TOI/Sub-TOI: | HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004E Small Group Only - Other | | |
| Product Name: | HMO Colorado Small Group Rate Filing Effective 1/1/2014 | | |
| Project Name/Number: | / | | |

Response Letter

| | |
|------------------------|--------------------|
| Response Letter Status | Submitted to State |
| Response Letter Date | 06/19/2013 |
| Submitted Date | 06/19/2013 |

Dear Cathy Gilliland,

Introduction:

Response 1

Comments:

An unsigned Part III Actuarial Memorandum was uploaded in error. Please allow for an update to the supporting document schedule to include the signed memorandum.

Related Objection 1

Comments: Part III Actuarial Memorandum is missing a signature by a actuary in the Actuarial Certification section. Please provide or Act Memo is not valid.

Changed Items:

| Supporting Document Schedule Item Changes | |
|---|---|
| Satisfied - Item: | Actuarial Memorandum and Certifications |
| Comments: | |
| Attachment(s): | CO SG HMO Fed Act Memo v2.pdf |
| Previous Version | |
| Satisfied - Item: | Actuarial Memorandum and Certifications |
| Comments: | |
| Attachment(s): | CO SG HMO Fed Act Memo.pdf |

No Form Schedule items changed.

No Rate/Rule Schedule items changed.

Response 2

Comments:

| | | | |
|----------------------|---|-----------------|--------------------|
| State: | Colorado | Filing Company: | HMO Colorado, Inc. |
| TOI/Sub-TOI: | HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004E Small Group Only - Other | | |
| Product Name: | HMO Colorado Small Group Rate Filing Effective 1/1/2014 | | |
| Project Name/Number: | / | | |

Please allow for an update to the supporting document schedule to include the Reliance section (found prior to the Actuarial Certification) in the Part III Actuarial Memorandum.

Related Objection 2

Comments: Please include the "Reliance" section of the Part III Actuarial Memorandum. If, in preparing the Part I Unified Rate Review Template submission, the certifying actuary relied on any information or underlying assumptions provided by another individual, the information relied upon and the name of the individual providing that information may be disclosed. This should be located after the "Effective Rate Review Information" section.

Changed Items:

| Supporting Document Schedule Item Changes | |
|---|---|
| Satisfied - Item: | Actuarial Memorandum and Certifications |
| Comments: | |
| Attachment(s): | CO SG HMO Fed Act Memo v2.pdf |
| Previous Version | |
| Satisfied - Item: | Actuarial Memorandum and Certifications |
| Comments: | |
| Attachment(s): | CO SG HMO Fed Act Memo.pdf |

No Form Schedule items changed.

No Rate/Rule Schedule items changed.

Conclusion:

Sincerely,
Zachary Winslow

State: Colorado **Filing Company:** HMO Colorado, Inc.
TOI/Sub-TOI: HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004E Small Group Only
- Other
Product Name: HMO Colorado Small Group Rate Filing Effective 1/1/2014
Project Name/Number: /

Response Letter

| | |
|------------------------|--------------------|
| Response Letter Status | Submitted to State |
| Response Letter Date | 05/31/2013 |
| Submitted Date | 05/31/2013 |

Dear Cathy Gilliland,

Introduction:

Response 1

Comments:

Per conversation with Cathy Gilliland, additional uploads are not necessary as all memorandum exhibits are currently available in PDF form.

Related Objection 1

Comments: If there are any excel docs attached, please also provide them in a PDF doc as we are having issues with excel attachments

Changed Items:

No Supporting Documents changed.

No Form Schedule items changed.

No Rate/Rule Schedule items changed.

Conclusion:

Sincerely,
Zachary Winslow

| | | | |
|----------------------|---|-----------------|--------------------|
| State: | Colorado | Filing Company: | HMO Colorado, Inc. |
| TOI/Sub-TOI: | HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004E Small Group Only - Other | | |
| Product Name: | HMO Colorado Small Group Rate Filing Effective 1/1/2014 | | |
| Project Name/Number: | / | | |

Response Letter

| | |
|------------------------|--------------------|
| Response Letter Status | Submitted to State |
| Response Letter Date | 05/24/2013 |
| Submitted Date | 05/31/2013 |

Dear Cathy Gilliland,

Introduction:

Response 1

Comments:

Please allow for a post-submission update to change the requested filing mode to "File and Use".

Related Objection 1

Comments: Please correct the general information tab for requested filing mode to file and use

Changed Items:

No Supporting Documents changed.

No Form Schedule items changed.

No Rate/Rule Schedule items changed.

Response 2

Comments:

Please allow for a post-submission update to the Rate/Rule Schedule. As this filing is for new products, premium changes are not applicable and the number of affected policyholders cannot be determined, so these fields will be populated with 0.

Related Objection 2

Comments: Please provide the rate impact (0%) on the rate rule schedule: Overall % Indicated Change: Overall % Rate Impact: Written Premium Change for this Program: # of Policy Holders Affected for this Program: Written Premium for this Program: Maximum % Change (where required): Minimum % Change (where required).

Changed Items:

No Supporting Documents changed.

No Form Schedule items changed.

No Rate/Rule Schedule items changed.

| | | | |
|-----------------------------|---|------------------------|--------------------|
| State: | Colorado | Filing Company: | HMO Colorado, Inc. |
| TOI/Sub-TOI: | HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004E Small Group Only - Other | | |
| Product Name: | HMO Colorado Small Group Rate Filing Effective 1/1/2014 | | |
| Project Name/Number: | / | | |

Response 3**Comments:**

Please see page 14 of the supporting document "CO SG HMO State Act Memo", which contains the signed Actuarial Certification.

Related Objection 3

Applies To:

- Actuarial Memorandum and Certifications (Supporting Document)

Comments: Please sign the Actuarial Certification.

Changed Items:

No Supporting Documents changed.

No Form Schedule items changed.

No Rate/Rule Schedule items changed.

Response 4**Comments:**

Each of the PPACA benefits listed in the Objection are covered by the filed products. This is consistent with the Effect of Law Changes section in the memorandum, which states: "To the best of Anthem's knowledge and current understanding, this filing complies with the most recent regulations and related guidance. Anthem's intention is to fully comply with all applicable laws and guidance."

Related Objection 4

Applies To:

- Colorado Actuarial Memorandum (Supporting Document)

Comments: regulation 4-2-11 section 6 (E) Please indicate which of the following PPACA benefits your plan has implemented:

Eliminate Annual Dollar Limits on Essential Benefits, Section 2711 of the PHSA/Section 1001 of the PPACA

Eliminate Lifetime Dollar Limits on Essential Benefits, Section 2711 of the PHSA/Section 1001 of the PPACA

Eliminate Pre-existing Condition Exclusions for Enrollees Under Age 19, Section 2711 of the PHSA/Section 1201 of the PPACA

Prohibit Rescissions, Section 2712 of the PHSA/Section 1001 of PPACA

Preventive Services, Section 2713 of the PHSA/Section 1001 of the PPACA

Extends Dependent Coverage for Children Until age 26, Section 2714 of the PHSA/Section 1001 of the PPACA

Appeals Process, Section 2719 of the PHSA/Section 1001 of the PPACA

Emergency Services, Section 2719A of the PHSA/Section 10101 of the PPACA

Access to Pediatricians, Section 2719A of the PHSA/Section 10101 of the PPACA

Access to OB/GYNs, Section 2719A of the PHSA/Section 10101 of the PPACA

| | | | |
|----------------------|---|-----------------|--------------------|
| State: | Colorado | Filing Company: | HMO Colorado, Inc. |
| TOI/Sub-TOI: | HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004E Small Group Only - Other | | |
| Product Name: | HMO Colorado Small Group Rate Filing Effective 1/1/2014 | | |
| Project Name/Number: | / | | |

Changed Items:

No Supporting Documents changed.

No Form Schedule items changed.

No Rate/Rule Schedule items changed.

Response 5**Comments:**

This assumption is correct. The rating period is 12 months, as illustrated in the supporting document "CO SG HMO Excel Exhibits".

Related Objection 5

Applies To:

- Colorado Actuarial Memorandum (Supporting Document)

Comments: Regulation 4-2-11 section 6 (C) If the length of the rating period is not clearly identified, it will be assumed to be for twelve months, starting from the proposed implementation date.

Changed Items:

No Supporting Documents changed.

No Form Schedule items changed.

No Rate/Rule Schedule items changed.

Response 6**Comments:**

Please allow for a post-submission update to include annualized premium and claim projections in Exhibit A - Base Rate Development (attached separately to the supporting documents tab) and to annualize the premium and claim amounts in the rate review detail. Exhibits O and P will not produce claims amounts matching the rate review detail, as claims are expressed in allowed dollars, consistent with Federal requirements for the index rate development and unified rate review template.

Related Objection 6

Applies To:

- Colorado Actuarial Memorandum (Supporting Document)

Comments: exhibit O & P should be annual and should match the view rate review detail on the projected premiums and claims

Changed Items:

| | | | |
|-----------------------------|---|------------------------|--------------------|
| State: | Colorado | Filing Company: | HMO Colorado, Inc. |
| TOI/Sub-TOI: | HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004E Small Group Only - Other | | |
| Product Name: | HMO Colorado Small Group Rate Filing Effective 1/1/2014 | | |
| Project Name/Number: | / | | |

| Supporting Document Schedule Item Changes | |
|---|--|
| Satisfied - Item: | Colorado Actuarial Memorandum |
| Comments: | |
| Attachment(s): | CO SG HMO Excel Exhibits.xlsx CO SG HMO State Act Memo.pdf CO SG HMO Annualized Premium & Claim Projection.pdf |
| <i>Previous Version</i> | |
| Satisfied - Item: | <i>Colorado Actuarial Memorandum</i> |
| Comments: | |
| Attachment(s): | <i>CO SG HMO Excel Exhibits.xlsx CO SG HMO State Act Memo.pdf</i> |

No Form Schedule items changed.

No Rate/Rule Schedule items changed.

Conclusion:

Sincerely,
Zachary Winslow

State: Colorado **Filing Company:** HMO Colorado, Inc.
TOI/Sub-TOI: HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004E Small Group Only
- Other
Product Name: HMO Colorado Small Group Rate Filing Effective 1/1/2014
Project Name/Number: /

Response Letter

| | |
|------------------------|--------------------|
| Response Letter Status | Submitted to State |
| Response Letter Date | 05/16/2013 |
| Submitted Date | 05/16/2013 |

Dear Cathy Gilliland,

Introduction:

Response 1

Comments:

Please see the information below for Binder names and filing numbers associated with this rate filing:

Sm. Grp. Off Exchange

Binder name- CO 76680 Small Grp. off exchange

Filing number- ATHK-CO14-125001024

Small Grp. On Exchange

Binder name- CO 76680 Small grp. on exchange

Filing number- ATHK-CO14-125001199

Related Objection 1

Comments: Please provide a binder or binder # for this rate filing.

Changed Items:

No Supporting Documents changed.

No Form Schedule items changed.

No Rate/Rule Schedule items changed.

Conclusion:

Sincerely,
Zachary Winslow

| | | | | | |
|-----------------------------|---|--------------------------|--------------------|----------------------------|--|
| SERFF Tracking #: | AWLP-129016152 | State Tracking #: | 278046 | Company Tracking #: | |
| State: | Colorado | Filing Company: | HMO Colorado, Inc. | | |
| TOI/Sub-TOI: | HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004E Small Group Only - Other | | | | |
| Product Name: | HMO Colorado Small Group Rate Filing Effective 1/1/2014 | | | | |
| Project Name/Number: | / | | | | |

Amendment Letter

Submitted Date: 07/30/2013

Comments:

Per Anthem's conversation with Optumas on 7/29, the Actuarial Value for HIOS Plan ID 76680CO0230001 has been modified. No other components of this rate filing have changed. Please see the updated Unified Rate Review Template for detail.

Changed Items:

No Form Schedule Items Changed.

No Rate Schedule Items Changed.

| Supporting Document Schedule Item Changes | |
|---|--|
| Satisfied - Item: | Unified Rate Review Template |
| Comments: | |
| Attachment(s): | URRT CO SG G1522 76680 Submission 7 30 2013.xlsm |
| <i>Previous Version</i> | |
| Satisfied - Item: | <i>Unified Rate Review Template</i> |
| Comments: | |
| Attachment(s): | <i>URRT CO SG G1522 76680 Submission.xlsm</i> |

| | | | | | |
|-----------------------------|---|--------------------------|--------------------|----------------------------|--|
| SERFF Tracking #: | AWLP-129016152 | State Tracking #: | 278046 | Company Tracking #: | |
| <hr/> | | | | | |
| State: | Colorado | Filing Company: | HMO Colorado, Inc. | | |
| TOI/Sub-TOI: | HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004E Small Group Only - Other | | | | |
| Product Name: | HMO Colorado Small Group Rate Filing Effective 1/1/2014 | | | | |
| Project Name/Number: | / | | | | |

Amendment Letter

Submitted Date: 07/26/2013

Comments:

Consistent with the response provided to an objection regarding average rating factors for Anthem's Small Group PPO rate filing effective 1/1/2014, please allow for an update to the supporting documents tab to upload an exhibit illustrating the average rating factor for age, area, tobacco, and benefit.

Changed Items:

No Form Schedule Items Changed.

No Rate Schedule Items Changed.

| | | | |
|-----------------------------|---|------------------------|--------------------|
| State: | Colorado | Filing Company: | HMO Colorado, Inc. |
| TOI/Sub-TOI: | HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004E Small Group Only - Other | | |
| Product Name: | HMO Colorado Small Group Rate Filing Effective 1/1/2014 | | |
| Project Name/Number: | / | | |

| Supporting Document Schedule Item Changes | |
|---|--|
| Satisfied - Item: | Colorado Actuarial Memorandum |
| Comments: | |
| Attachment(s): | CO SG HMO Annualized Premium & Claim Projection.pdf CO SG HMO State Act Memo v2.pdf CO SG HMO Excel Exhibits v2.xlsx CO SG HMO Exh. H - Average Factor Detail.pdf |
| <i>Previous Version</i> | |
| Satisfied - Item: | <i>Colorado Actuarial Memorandum</i> |
| Comments: | |
| Attachment(s): | <i>CO SG HMO Annualized Premium & Claim Projection.pdf CO SG HMO State Act Memo v2.pdf CO SG HMO Excel Exhibits v2.xlsx</i> |
| <i>Previous Version</i> | |
| Satisfied - Item: | <i>Colorado Actuarial Memorandum</i> |
| Comments: | |
| Attachment(s): | <i>CO SG HMO Excel Exhibits.xlsx CO SG HMO State Act Memo.pdf CO SG HMO Annualized Premium & Claim Projection.pdf</i> |
| <i>Previous Version</i> | |
| Satisfied - Item: | <i>Colorado Actuarial Memorandum</i> |
| Comments: | |
| Attachment(s): | <i>CO SG HMO Excel Exhibits.xlsx CO SG HMO State Act Memo.pdf</i> |

State: Colorado **Filing Company:** HMO Colorado, Inc.
TOI/Sub-TOI: HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004E Small Group Only
- Other
Product Name: HMO Colorado Small Group Rate Filing Effective 1/1/2014
Project Name/Number: /

Note To Filer

Created By:

Nichole Boggess on 08/08/2013 08:53 AM

Last Edited By:

Nichole Boggess

Submitted On:

08/08/2013 08:53 AM

Subject:

Disposition letter

Comments:

Sent corrected letter

State: Colorado
TOI/Sub-TOI: HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004E Small Group Only
- Other
Product Name: HMO Colorado Small Group Rate Filing Effective 1/1/2014
Project Name/Number: /

Note To Reviewer

Created By:

Steven Spelshaus on 08/01/2013 04:39 PM

Last Edited By:

Steven Spelshaus

Submitted On:

08/01/2013 04:41 PM

Subject:

Separate Max OOPM for Med and Rx Benefits: Anthem Supporting Informaton

Comments:

As requested from a conversation with the DOI on 8/1/2013 at 1:50PM, attached is WellPoint's (Anthem's parent company) SEC 10Q document from 2Q 2013 identifying our contractual agreement with ESI as our Pharmacy Benefits Manager. Page 23, paragraph 2 illustrates ESI is the PBM for all WellPoint fully insured small group business. Additionally, the following link to a CMS Q&A indicates this plan design is allowable in 2014 for a carrier, such as Anthem, with separate benefit administrators for Medical and Rx benefits.

ACA FAQs, which you can find at

http://www.cms.gov/CCIIO/Resources/Fact-Sheets-and-FAQs/aca_implementation_faqs12.html

It states:

Q2:Who must comply with the annual limitation on out-of-pocket maximums under PHS Act section 2707(b)?

As stated in the preamble to the HHS final regulation on standards related to essential health benefits, the Departments read PHS Act section 2707(b) as requiring all non-grandfathered group health plans to comply with the annual limitation on out-of-pocket maximums described in section 1302(c)(1) of the Affordable Care Act.[3]

The Departments recognize that plans may utilize multiple service providers to help administer benefits (such as one third-party administrator for major medical coverage, a separate pharmacy benefit manager, and a separate managed behavioral health organization). Separate plan service providers may impose different levels of out-of-pocket limitations and may utilize different methods for crediting participants' expenses against any out-of-pocket maximums. These processes will need to be coordinated under section 1302(c)(1), which may require new regular communications between service providers.

The Departments have determined that, only for the first plan year beginning on or after January 1, 2014, where a group health plan or group health insurance issuer utilizes more than one service provider to administer benefits that are subject to the annual limitation on out-of-pocket maximums under section 2707(a) or 2707(b), the Departments will consider the annual limitation on out-of-pocket maximums to be satisfied if both of the following conditions are satisfied:

(a) The plan complies with the requirements with respect to its major medical coverage (excluding, for example, prescription drug coverage and pediatric dental coverage); and

(b) To the extent the plan or any health insurance coverage includes an out-of-pocket maximum on coverage that does not consist solely of major medical coverage (for example, if a separate out-of-pocket maximum applies with respect to prescription drug coverage), such out-of-pocket maximum does not exceed the dollar amounts set forth in section 1302(c)(1).

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period ended June 30, 2013

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission file number: 001-16751

WELLPOINT, INC.

(Exact name of registrant as specified in its charter)

INDIANA

(State or other jurisdiction of
incorporation or organization)

**120 MONUMENT CIRCLE
INDIANAPOLIS, INDIANA**

(Address of principal executive offices)

35-2145715

(I.R.S. Employer
Identification Number)

46204-4903

(Zip Code)

Registrant's telephone number, including area code: (317) 488-6000

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer", and "smaller reporting company" in Rule 12b-2 of the Exchange Act (Check one):

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐ (Do not check if a smaller reporting company)

Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

| <u>Title of Each Class</u> |
|--------------------------------|
| Common Stock, \$0.01 par value |

| <u>Outstanding at July 11, 2013</u> |
|-------------------------------------|
| 298,960,354 shares |

WellPoint, Inc.
Quarterly Report on Form 10-Q
For the Period Ended June 30, 2013
Table of Contents

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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

WellPoint, Inc.
Consolidated Balance Sheets

| | June 30, 2013 (Unaudited) | December 31, 2012 |
|---|---------------------------------|----------------------|
| <i>(In millions, except share data)</i> | | |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 1,347.3 | \$ 2,484.6 |
| Investments available-for-sale, at fair value: | | |
| Fixed maturity securities (amortized cost of \$17,451.1 and \$16,033.1) | 17,679.8 | 16,912.9 |
| Equity securities (cost of \$933.7 and \$869.9) | 1,410.1 | 1,212.4 |
| Other invested assets, current | 15.7 | 14.8 |
| Accrued investment income | 172.4 | 162.2 |
| Premium and self-funded receivables | 4,330.0 | 3,687.4 |
| Other receivables | 994.1 | 928.8 |
| Income taxes receivable | 101.7 | 228.5 |
| Securities lending collateral | 670.4 | 564.6 |
| Deferred tax assets, net | 356.3 | 243.2 |
| Other current assets | 1,823.0 | 1,829.0 |
| Total current assets | 28,900.8 | 28,268.4 |
| Long-term investments available-for-sale, at fair value: | | |
| Fixed maturity securities (amortized cost of \$466.2 and \$426.0) | 460.0 | 431.5 |
| Equity securities (cost of \$26.8 and \$27.1) | 30.2 | 30.1 |
| Other invested assets, long-term | 1,510.4 | 1,387.7 |
| Property and equipment, net | 1,769.5 | 1,738.3 |
| Goodwill | 17,488.6 | 17,510.5 |
| Other intangible assets | 8,988.1 | 9,102.8 |
| Other noncurrent assets | 464.7 | 486.1 |
| Total assets | \$ 59,612.3 | \$ 58,955.4 |
| Liabilities and shareholders' equity | | |
| Liabilities | | |
| Current liabilities: | | |
| Policy liabilities: | | |
| Medical claims payable | \$ 6,158.3 | \$ 6,174.5 |
| Reserves for future policy benefits | 58.8 | 61.3 |
| Other policyholder liabilities | 2,288.9 | 2,345.7 |
| Total policy liabilities | 8,506.0 | 8,581.5 |
| Unearned income | 823.6 | 896.8 |
| Accounts payable and accrued expenses | 3,286.6 | 3,132.5 |
| Security trades pending payable | 152.8 | 69.3 |
| Securities lending payable | 670.6 | 564.7 |
| Short-term borrowings | 350.0 | 250.0 |
| Current portion of long-term debt | 399.6 | 557.1 |
| Other current liabilities | 1,844.9 | 1,785.0 |
| Total current liabilities | 16,034.1 | 15,836.9 |
| Long-term debt, less current portion | 14,091.5 | 14,170.8 |
| Reserves for future policy benefits, noncurrent | 687.6 | 750.8 |
| Deferred tax liabilities, net | 3,320.8 | 3,381.0 |
| Other noncurrent liabilities | 945.8 | 1,013.2 |
| Total liabilities | 35,079.8 | 35,152.7 |
| Commitment and contingencies – Note 9 | | |
| Shareholders' equity | | |
| Preferred stock, without par value, shares authorized – 100,000,000; shares issued and outstanding – none | — | — |
| Common stock, par value \$0.01, shares authorized – 900,000,000; shares issued and outstanding: 299,346,446 and 304,715,144 | 3.0 | 3.0 |
| Additional paid-in capital | 10,738.8 | 10,853.5 |
| Retained earnings | 13,817.9 | 12,647.1 |
| Accumulated other comprehensive (loss) income | (27.2) | 299.1 |
| Total shareholders' equity | 24,532.5 | 23,802.7 |
| Total liabilities and shareholders' equity | \$ 59,612.3 | \$ 58,955.4 |

See accompanying notes.

WellPoint, Inc.
Consolidated Statements of Income
(Unaudited)

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|--|-------------------------------|------------------|-----------------------------|-------------------|
| | 2013 | 2012 | 2013 | 2012 |
| <i>(In millions, except per share data)</i> | | | | |
| Revenues | | | | |
| Premiums | \$ 16,493.0 | \$ 14,161.0 | \$ 32,928.6 | \$ 28,299.5 |
| Administrative fees | 988.5 | 977.5 | 1,978.6 | 1,973.3 |
| Other revenue | 115.7 | 34.8 | 236.3 | 50.7 |
| Total operating revenue | 17,597.2 | 15,173.3 | 35,143.5 | 30,323.5 |
| Net investment income | 153.2 | 169.4 | 315.2 | 338.4 |
| Net realized gains on investments | 54.2 | 70.5 | 71.0 | 177.4 |
| Other-than-temporary impairment losses on investments: | | | | |
| Total other-than-temporary impairment losses on investments | (9.0) | (6.5) | (46.9) | (20.2) |
| Portion of other-than-temporary impairment losses recognized in other comprehensive income | — | 0.6 | — | 3.4 |
| Other-than-temporary impairment losses recognized in income | (9.0) | (5.9) | (46.9) | (16.8) |
| Total revenues | 17,795.6 | 15,407.3 | 35,482.8 | 30,822.5 |
| Expenses | | | | |
| Benefit expense | 13,832.6 | 12,093.1 | 27,581.3 | 23,865.0 |
| Selling, general and administrative expense: | | | | |
| Selling expense | 376.7 | 393.0 | 762.6 | 786.3 |
| General and administrative expense | 2,093.8 | 1,688.8 | 4,072.9 | 3,461.2 |
| Total selling, general and administrative expense | 2,470.5 | 2,081.8 | 4,835.5 | 4,247.5 |
| Cost of products | 62.4 | 6.7 | 127.4 | 6.7 |
| Interest expense | 151.9 | 117.6 | 305.4 | 226.7 |
| Amortization of other intangible assets | 67.7 | 59.5 | 135.6 | 118.2 |
| Total expenses | 16,585.1 | 14,358.7 | 32,985.2 | 28,464.1 |
| Income before income tax expense | 1,210.5 | 1,048.6 | 2,497.6 | 2,358.4 |
| Income tax expense | 410.4 | 405.0 | 812.3 | 858.3 |
| Net income | \$ 800.1 | \$ 643.6 | \$ 1,685.3 | \$ 1,500.1 |
| Net income per share | | | | |
| Basic | \$ 2.67 | \$ 1.96 | \$ 5.59 | \$ 4.53 |
| Diluted | \$ 2.64 | \$ 1.94 | \$ 5.53 | \$ 4.48 |
| Dividends per share | \$ 0.3750 | \$ 0.2875 | \$ 0.7500 | \$ 0.5750 |

See accompanying notes.

WellPoint, Inc.
Consolidated Statements of Comprehensive Income
(Unaudited)

| | Three Months Ended | | Six Months Ended | |
|---|--------------------|-----------------|-------------------|-------------------|
| | June 30 | | June 30 | |
| (In millions) | 2013 | 2012 | 2013 | 2012 |
| Net income | \$ 800.1 | \$ 643.6 | \$ 1,685.3 | \$ 1,500.1 |
| Other comprehensive (loss) income, net of tax: | | | | |
| Change in net unrealized gains/losses on investments | (377.8) | (27.1) | (343.3) | 80.2 |
| Change in non-credit component of other-than-temporary impairment losses on investments | — | (0.4) | 2.2 | 4.4 |
| Change in net unrealized gains/losses on cash flow hedges | 0.8 | (0.2) | 1.5 | 0.4 |
| Change in net periodic pension and postretirement costs | 7.0 | 6.3 | 13.8 | 13.0 |
| Foreign currency translation adjustments | 0.3 | (1.4) | (0.5) | (0.7) |
| Other comprehensive (loss) income | <u>(369.7)</u> | <u>(22.8)</u> | <u>(326.3)</u> | <u>97.3</u> |
| Total comprehensive income | <u>\$ 430.4</u> | <u>\$ 620.8</u> | <u>\$ 1,359.0</u> | <u>\$ 1,597.4</u> |

See accompanying notes.

WellPoint, Inc.
Consolidated Statements of Cash Flows
(Unaudited)

| | Six Months Ended | |
|--|-------------------|-------------------|
| | June 30 | |
| | 2013 | 2012 |
| <i>(In millions)</i> | | |
| Operating activities | | |
| Net income | \$ 1,685.3 | \$ 1,500.1 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Net realized gains on investments | (71.0) | (177.4) |
| Other-than-temporary impairment losses recognized in income | 46.9 | 16.8 |
| Loss on disposal of assets | 2.4 | 1.6 |
| Deferred income taxes | 14.4 | 87.6 |
| Amortization, net of accretion | 389.6 | 313.3 |
| Depreciation expense | 50.4 | 47.4 |
| Share-based compensation | 63.1 | 71.5 |
| Excess tax benefits from share-based compensation | (13.8) | (22.7) |
| Changes in operating assets and liabilities, net of effect of business combinations: | | |
| Receivables, net | (619.7) | (466.9) |
| Other invested assets | (9.0) | (14.4) |
| Other assets | 27.7 | (77.3) |
| Policy liabilities | (138.7) | (101.9) |
| Unearned income | (73.2) | 781.3 |
| Accounts payable and accrued expenses | (63.8) | (380.4) |
| Other liabilities | (15.4) | 187.5 |
| Income taxes | 134.4 | (3.6) |
| Other, net | (27.5) | (17.9) |
| Net cash provided by operating activities | 1,382.1 | 1,744.6 |
| Investing activities | | |
| Purchases of fixed maturity securities | (6,821.7) | (7,278.9) |
| Proceeds from fixed maturity securities: | | |
| Sales | 4,462.8 | 5,449.4 |
| Maturities, calls and redemptions | 802.5 | 875.7 |
| Purchases of equity securities | (150.6) | (186.6) |
| Proceeds from sales of equity securities | 144.7 | 276.1 |
| Purchases of other invested assets | (164.4) | (95.8) |
| Proceeds from sales of other invested assets | 22.6 | 18.7 |
| Changes in securities lending collateral | (106.0) | 106.1 |
| Purchases of subsidiaries, net of cash acquired | — | (905.3) |
| Purchases of property and equipment | (249.5) | (226.0) |
| Proceeds from sales of property and equipment | — | 0.3 |
| Other, net | (3.8) | (0.9) |
| Net cash used in investing activities | (2,063.4) | (1,967.2) |
| Financing activities | | |
| Net proceeds from (repayments of) commercial paper borrowings | 351.0 | (10.5) |
| Proceeds from long-term borrowings | — | 1,722.9 |
| Repayments of long-term borrowings | (556.9) | (451.1) |
| Proceeds from short-term borrowings | 100.0 | 300.0 |
| Repayments of short-term borrowings | — | (200.0) |
| Changes in securities lending payable | 105.9 | (106.1) |
| Changes in bank overdrafts | 219.3 | (23.9) |
| Repurchase and retirement of common stock | (615.5) | (1,173.6) |
| Cash dividends | (226.1) | (189.3) |
| Proceeds from issuance of common stock under employee stock plans | 153.3 | 83.7 |
| Excess tax benefits from share-based compensation | 13.8 | 22.7 |
| Net cash used in financing activities | (455.2) | (25.2) |
| Effect of foreign exchange rates on cash and cash equivalents | (0.8) | (0.7) |
| Change in cash and cash equivalents | (1,137.3) | (248.5) |
| Cash and cash equivalents at beginning of period | 2,484.6 | 2,201.6 |
| Cash and cash equivalents at end of period | \$ 1,347.3 | \$ 1,953.1 |

See accompanying notes.

WellPoint, Inc.
Consolidated Statements of Shareholders' Equity
(Unaudited)

| | <u>Common Stock</u> | | <u>Additional Paid-in Capital</u> | <u>Retained Earnings</u> | <u>Accumulated Other Comprehensive Income (Loss)</u> | <u>Total Shareholders' Equity</u> |
|--|-----------------------------|----------------------|---|------------------------------|--|---|
| <i>(In millions)</i> | <u>Number of Shares</u> | <u>Par Value</u> | | | | |
| January 1, 2013 | 304.7 | \$ 3.0 | \$ 10,853.5 | \$ 12,647.1 | \$ 299.1 | \$ 23,802.7 |
| Net income | — | — | — | 1,685.3 | — | 1,685.3 |
| Other comprehensive loss | — | — | — | — | (326.3) | (326.3) |
| Repurchase and retirement of common stock | (9.1) | — | (332.4) | (286.4) | — | (618.8) |
| Convertible debenture tax adjustment | — | — | (4.0) | — | — | (4.0) |
| Dividends and dividend equivalents | — | — | — | (228.1) | — | (228.1) |
| Issuance of common stock under employee stock plans, net of related tax benefits | 3.7 | — | 221.7 | — | — | 221.7 |
| June 30, 2013 | <u>299.3</u> | <u>\$ 3.0</u> | <u>\$ 10,738.8</u> | <u>\$ 13,817.9</u> | <u>\$ (27.2)</u> | <u>\$ 24,532.5</u> |
| January 1, 2012 | 339.4 | \$ 3.4 | \$ 11,679.2 | \$ 11,490.7 | \$ 114.9 | \$ 23,288.2 |
| Net income | — | — | — | 1,500.1 | — | 1,500.1 |
| Other comprehensive income | — | — | — | — | 97.3 | 97.3 |
| Repurchase and retirement of common stock | (17.4) | (0.2) | (597.9) | (575.5) | — | (1,173.6) |
| Dividends and dividend equivalents | — | — | — | (191.3) | — | (191.3) |
| Issuance of common stock under employee stock plans, net of related tax benefits | 3.2 | — | 123.1 | — | — | 123.1 |
| June 30, 2012 | <u>325.2</u> | <u>\$ 3.2</u> | <u>\$ 11,204.4</u> | <u>\$ 12,224.0</u> | <u>\$ 212.2</u> | <u>\$ 23,643.8</u> |

See accompanying notes.

WellPoint, Inc.
Notes to Consolidated Financial Statements
(Unaudited)
June 30, 2013

(In Millions, Except Per Share Data or As Otherwise Stated Herein)

1. Organization

References to the terms “we”, “our”, “us”, “WellPoint” or the “Company” used throughout these Notes to Consolidated Financial Statements refer to WellPoint, Inc., an Indiana corporation, and unless the context otherwise requires, its direct and indirect subsidiaries.

We are one of the largest health benefits companies in the United States, serving 35.7 medical members through our affiliated health plans and approximately 68.0 individuals through all subsidiaries as of June 30, 2013. We offer a broad spectrum of network-based managed care plans to large and small employer, individual, Medicaid and Medicare markets. Our managed care plans include: preferred provider organizations, or PPOs; health maintenance organizations, or HMOs; point-of-service, or POS, plans; traditional indemnity plans and other hybrid plans, including consumer-driven health plans, or CDHPs; and hospital only and limited benefit products. In addition, we provide a broad array of managed care services to self-funded customers, including claims processing, underwriting, stop loss insurance, actuarial services, provider network access, medical cost management, disease management, wellness programs and other administrative services. We provide an array of specialty and other insurance products and services such as behavioral health benefit services, dental, vision, life and disability insurance benefits, radiology benefit management, analytics-driven personal health care guidance and long-term care insurance. We also provide services to the Federal Government in connection with the Federal Employee Program, or FEP, and various Medicare programs. Finally, we sell contact lenses, eyeglasses and other ocular products through our 1-800 CONTACTS, Inc., or 1-800 CONTACTS, business.

We are an independent licensee of the Blue Cross and Blue Shield Association, or BCBSA, an association of independent health benefit plans. We serve our members as the Blue Cross licensee for California; the Blue Cross and Blue Shield, or BCBS, licensee for Colorado, Connecticut, Georgia, Indiana, Kentucky, Maine, Missouri (excluding 30 counties in the Kansas City area), Nevada, New Hampshire, New York (as the BCBS licensee in 10 New York City metropolitan and surrounding counties and as the Blue Cross or BCBS licensee in selected upstate counties only), Ohio, Virginia (excluding the Northern Virginia suburbs of Washington, D.C.) and Wisconsin. In a majority of these service areas we do business as Anthem Blue Cross, Anthem Blue Cross and Blue Shield, Blue Cross and Blue Shield of Georgia, Empire Blue Cross Blue Shield, or Empire Blue Cross (in our New York service areas). Through our AMERIGROUP Corporation subsidiary, or Amerigroup, we conduct business in Florida, Georgia, Kansas, Louisiana, Maryland, Nevada, New Jersey, New Mexico, New York, Tennessee, Texas and Washington. Amerigroup also provided services to the state of Ohio through June 30, 2013. We also serve customers throughout the country as HealthLink, UniCare and in certain Arizona, California, Nevada, New York and Virginia markets through our CareMore Health Group, Inc., or CareMore, subsidiary. We are licensed to conduct insurance operations in all 50 states through our subsidiaries.

2. Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles, or GAAP, for interim financial reporting. Accordingly, they do not include all of the information and footnotes required by GAAP for annual financial statements. We have omitted certain footnote disclosures that would substantially duplicate the disclosures in our 2012 Annual Report on Form 10-K, unless the information contained in those disclosures materially changed or is required by GAAP. In the opinion of management, all adjustments, including normal recurring adjustments, necessary for a fair statement of the consolidated financial statements as of and for the three and six months ended June 30, 2013 and 2012 have been recorded. The results of operations for the three and six months ended June 30, 2013 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2013. These

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unaudited consolidated financial statements should be read in conjunction with our audited consolidated financial statements for the year ended December 31, 2012 included in our 2012 Annual Report on Form 10-K.

Certain of our subsidiaries operate outside of the United States and have functional currencies other than the U.S. dollar, or USD. We translate the assets and liabilities of those subsidiaries to USD using the exchange rate in effect at the end of the period. We translate the revenues and expenses of those subsidiaries to USD using the average exchange rates in effect during the period. The net effect of these translation adjustments is included in "Foreign currency translation adjustments" in our consolidated statements of comprehensive income.

Certain prior period amounts have been reclassified to conform to the current period presentation, including the presentation of our segment disclosures.

3. Restructuring Activities

As a result of restructuring activities implemented during 2012 and 2011, we recorded liabilities for employee termination costs and lease and other contract exit costs. The restructuring activities are classified as components of general and administrative expenses in the consolidated statements of income for the respective period in which they occurred.

The 2012 restructuring activities were initiated primarily as a result of personnel changes, organizational realignment to create efficiencies in our business processes and certain integration activities associated with the Amerigroup acquisition. Activity related to these liabilities for the six months ended June 30, 2013, by reportable segment, is as follows:

| | Commercial and Specialty Business | Government Business | Other | Total |
|--|---|------------------------|--------|----------|
| 2012 Restructuring Activities | | | | |
| Employee termination costs: | | | | |
| Liability for employee termination costs at January 1, 2013 | \$ 60.0 | \$ 54.7 | \$ 2.9 | \$ 117.6 |
| Payments | (22.4) | (29.4) | (1.1) | (52.9) |
| Liability released | (4.4) | (1.1) | (0.2) | (5.7) |
| Liability for employee termination costs at June 30, 2013 | 33.2 | 24.2 | 1.6 | 59.0 |
| Lease and other contract exit costs: | | | | |
| Liability for lease and other contract exit costs at January 1, 2013 | 8.8 | 2.9 | 0.1 | 11.8 |
| Payments | (4.4) | (1.5) | (0.1) | (6.0) |
| Liability released | (0.6) | (0.2) | — | (0.8) |
| Liability for lease and other contract exit costs at June 30, 2013 | 3.8 | 1.2 | — | 5.0 |
| Total liability for 2012 restructuring activities at June 30, 2013 | \$ 37.0 | \$ 25.4 | \$ 1.6 | \$ 64.0 |

The 2011 restructuring activities were initiated as a result of a change in strategic focus primarily in response to federal health care reform. At June 30, 2013, our total liability for 2011 restructuring activities was \$20.1, of which \$2.9 related to employee termination costs and \$17.2 related to lease and other contract exit costs. We expect the remaining payments for employee termination costs to be substantially completed by the end of 2013. Payments for lease and other contract exit costs will continue to occur over the remaining terms of the related contracts.

4. Investments

We evaluate our investment securities for other-than-temporary declines based on qualitative and quantitative factors. Other-than-temporary impairment losses recognized in income totaled \$9.0 and \$5.9 for the three months ended June 30, 2013 and 2012, respectively. Other-than-temporary impairment losses recognized in

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income totaled \$46.9 and \$16.8 for the six months ended June 30, 2013 and 2012, respectively. There were no individually significant other-than-temporary impairment losses on investments by issuer during the three and six months ended June 30, 2013 and 2012. We continue to review our investment portfolios under our impairment review policy. Given the current market conditions and the significant judgments involved, there is a continuing risk that further declines in fair value may occur and additional material other-than-temporary impairment losses on investments may be recorded in future periods.

A summary of current and long-term investments, available-for-sale, at June 30, 2013 and December 31, 2012 is as follows:

| | | | Gross Unrealized Losses | | | Non-Credit Component of Other-Than- Temporary Impairments Recognized in AOCI |
|---|------------------------------|------------------------------|-------------------------|-------------------------|-------------------------|---|
| | Cost or Amortized Cost | Gross Unrealized Gains | Less than 12 Months | 12 Months or Greater | Estimated Fair Value | |
| June 30, 2013: | | | | | | |
| Fixed maturity securities: | | | | | | |
| United States Government securities | \$ 434.5 | \$ 4.7 | \$ (2.9) | \$ — | \$ 436.3 | \$ — |
| Government sponsored securities | 165.2 | 0.8 | (1.5) | — | 164.5 | — |
| States, municipalities and political subdivisions, tax-exempt | 5,995.5 | 234.1 | (99.7) | (1.8) | 6,128.1 | — |
| Corporate securities | 8,078.1 | 211.5 | (142.2) | (9.3) | 8,138.1 | — |
| Options embedded in convertible debt securities | 73.9 | — | — | — | 73.9 | — |
| Residential mortgage-backed securities | 2,412.1 | 59.6 | (39.8) | (0.8) | 2,431.1 | — |
| Commercial mortgage-backed securities | 419.0 | 12.8 | (3.4) | — | 428.4 | — |
| Other debt securities | 339.0 | 5.2 | (2.9) | (1.9) | 339.4 | — |
| Total fixed maturity securities | 17,917.3 | 528.7 | (292.4) | (13.8) | 18,139.8 | \$ — |
| Equity securities | 960.5 | 487.5 | (7.7) | — | 1,440.3 | |
| Total investments, available-for-sale | \$ 18,877.8 | \$ 1,016.2 | \$ (300.1) | \$ (13.8) | \$ 19,580.1 | |
| December 31, 2012: | | | | | | |
| Fixed maturity securities: | | | | | | |
| United States Government securities | \$ 330.3 | \$ 13.1 | \$ (0.2) | \$ — | \$ 343.2 | \$ — |
| Government sponsored securities | 153.6 | 2.6 | — | — | 156.2 | — |
| States, municipalities and political subdivisions, tax-exempt | 5,501.3 | 388.2 | (5.7) | (1.6) | 5,882.2 | — |
| Corporate securities | 7,642.0 | 387.0 | (17.0) | (8.0) | 8,004.0 | (1.7) |
| Options embedded in convertible debt securities | 67.2 | — | — | — | 67.2 | — |
| Residential mortgage-backed securities | 2,204.7 | 103.1 | (1.1) | (1.9) | 2,304.8 | (0.4) |
| Commercial mortgage-backed securities | 323.2 | 22.5 | — | — | 345.7 | — |
| Other debt securities | 236.8 | 7.6 | (0.2) | (3.1) | 241.1 | (1.3) |
| Total fixed maturity securities | 16,459.1 | 924.1 | (24.2) | (14.6) | 17,344.4 | \$ (3.4) |
| Equity securities | 897.0 | 358.0 | (12.5) | — | 1,242.5 | |
| Total investments, available-for-sale | \$ 17,356.1 | \$ 1,282.1 | \$ (36.7) | \$ (14.6) | \$ 18,586.9 | |

At June 30, 2013, we owned \$2,859.5 of mortgage-backed securities and \$316.3 of asset-backed securities out of a total available-for-sale investment portfolio of \$19,580.1. These securities included sub-prime and Alt-A securities with fair values of \$36.2 and \$117.9, respectively. These sub-prime and Alt-A securities had accumulated net unrealized gains of \$0.6 and \$6.9, respectively. The average credit rating of the sub-prime and Alt-A securities was “BB” and “CCC”, respectively.

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The following tables summarize for fixed maturity securities and equity securities in an unrealized loss position at June 30, 2013 and December 31, 2012, the aggregate fair value and gross unrealized loss by length of time those securities have been continuously in an unrealized loss position:

| | Less than 12 Months | | | 12 Months or Greater | | |
|---|----------------------|----------------------|-----------------------|----------------------|----------------------|-----------------------|
| | Number of Securities | Estimated Fair Value | Gross Unrealized Loss | Number of Securities | Estimated Fair Value | Gross Unrealized Loss |
| <i>(Securities are whole amounts)</i> | | | | | | |
| June 30, 2013: | | | | | | |
| Fixed maturity securities: | | | | | | |
| United States Government securities | 32 | \$ 278.5 | \$ (2.9) | — | \$ — | \$ — |
| Government sponsored securities | 22 | 75.2 | (1.5) | — | — | — |
| States, municipalities and political subdivisions, tax-exempt | 793 | 2,131.0 | (99.7) | 22 | 23.6 | (1.8) |
| Corporate securities | 1,827 | 3,989.4 | (142.2) | 52 | 45.6 | (9.3) |
| Residential mortgage-backed securities | 560 | 1,239.2 | (39.8) | 35 | 14.5 | (0.8) |
| Commercial mortgage-backed securities | 40 | 164.5 | (3.4) | 3 | 1.4 | — |
| Other debt securities | 50 | 152.1 | (2.9) | 20 | 22.6 | (1.9) |
| Total fixed maturity securities | 3,324 | 8,029.9 | (292.4) | 132 | 107.7 | (13.8) |
| Equity securities | 686 | 80.9 | (7.7) | — | — | — |
| Total fixed maturity and equity securities | 4,010 | \$ 8,110.8 | \$ (300.1) | 132 | \$ 107.7 | \$ (13.8) |
| December 31, 2012: | | | | | | |
| Fixed maturity securities: | | | | | | |
| United States Government securities | 17 | \$ 48.5 | \$ (0.2) | — | \$ — | \$ — |
| States, municipalities and political subdivisions, tax-exempt | 184 | 420.1 | (5.7) | 1 | 46.9 | (1.6) |
| Corporate securities | 457 | 1,066.5 | (17.0) | 74 | 52.6 | (8.0) |
| Residential mortgage-backed securities | 79 | 211.0 | (1.1) | 44 | 25.5 | (1.9) |
| Commercial mortgage-backed securities | 4 | 10.1 | — | 3 | 4.1 | — |
| Other debt securities | 7 | 5.4 | (0.2) | 21 | 28.9 | (3.1) |
| Total fixed maturity securities | 748 | 1,761.6 | (24.2) | 143 | 158.0 | (14.6) |
| Equity securities | 961 | 149.6 | (12.5) | — | — | — |
| Total fixed maturity and equity securities | 1,709 | \$ 1,911.2 | \$ (36.7) | 143 | \$ 158.0 | \$ (14.6) |

The amortized cost and fair value of fixed maturity securities at June 30, 2013, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because the issuers of the securities may have the right to prepay obligations.

| | Amortized Cost | Estimated Fair Value |
|--|----------------|----------------------|
| Due in one year or less | \$ 884.5 | \$ 896.2 |
| Due after one year through five years | 4,993.9 | 5,125.3 |
| Due after five years through ten years | 5,181.8 | 5,267.4 |
| Due after ten years | 4,026.0 | 3,991.4 |
| Mortgage-backed securities | 2,831.1 | 2,859.5 |
| Total available-for-sale fixed maturity securities | \$17,917.3 | \$18,139.8 |

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Proceeds from fixed maturity and equity securities and the related gross realized gains and gross realized losses for the three and six months ended June 30, 2013 and 2012 are as follows:

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|-----------------------|-------------------------------|-----------|-----------------------------|-----------|
| | 2013 | 2012 | 2013 | 2012 |
| Proceeds | \$2,300.0 | \$3,228.4 | \$5,410.0 | \$6,601.2 |
| Gross realized gains | 71.9 | 98.9 | 178.9 | 255.1 |
| Gross realized losses | (17.7) | (28.4) | (107.9) | (77.7) |

In the ordinary course of business, we may sell securities at a loss for a number of reasons, including, but not limited to: (i) changes in the investment environment; (ii) expectation that the fair value could deteriorate further; (iii) desire to reduce exposure to an issuer or an industry; (iv) changes in credit quality; or (v) changes in expected cash flow.

All securities sold resulting in investment gains and losses are recorded on the trade date. Realized gains and losses are determined on the basis of the cost or amortized cost of the specific securities sold.

5. Fair Value

Assets and liabilities recorded at fair value in the consolidated balance sheets are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Level inputs, as defined by Financial Accounting Standards Board, or FASB, guidance for fair value measurements and disclosures, are as follows:

| <u>Level Input</u> | <u>Input Definition</u> |
|--------------------|--|
| Level I | Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date. |
| Level II | Inputs other than quoted prices included in Level I that are observable for the asset or liability through corroboration with market data at the measurement date. |
| Level III | Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. |

The following methods, assumptions and inputs were used to determine the fair value of each class of the following assets and liabilities recorded at fair value in the consolidated balance sheets:

Cash equivalents: Cash equivalents primarily consist of highly rated money market funds with maturities of three months or less, and are purchased daily at par value with specified yield rates. Due to the high ratings and short-term nature of the funds, we designate all cash equivalents as Level I.

Fixed maturity securities, available-for-sale: Fair values of available-for-sale fixed maturity securities are based on quoted market prices, where available. These fair values are obtained primarily from third party pricing services, which generally use Level I or Level II inputs for the determination of fair value to facilitate fair value measurements and disclosures. United States Government securities represent Level I securities, while Level II securities primarily include corporate securities, securities from states, municipalities and political subdivisions and mortgage-backed securities. For securities not actively traded, the third party pricing services may use quoted market prices of comparable instruments or discounted cash flow analyses, incorporating inputs that are currently observable in the markets for similar securities. We have controls in place to review the third party pricing services' qualifications and procedures used to determine fair values. In addition, we periodically review the third party pricing services' pricing methodologies, data sources and pricing inputs to ensure the fair values obtained are reasonable. Inputs that are often used in the valuation methodologies include, but are not limited to, broker quotes, benchmark yields, credit spreads, default rates and prepayment speeds. We also have certain fixed maturity securities, primarily corporate debt securities, that are designated Level III securities. For these securities, the

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valuation methodologies may incorporate broker quotes or discounted cash flow analyses using assumptions for inputs such as expected cash flows, benchmark yields and credit spreads that are not observable in the markets.

Equity securities, available-for-sale: Fair values of equity securities are generally designated as Level I and are based on quoted market prices. For certain equity securities, quoted market prices for the identical security are not always available and the fair value is estimated by reference to similar securities for which quoted prices are available. These securities are designated Level II. We also have certain equity securities, including private equity securities, for which the fair value is estimated based on each security's current condition and future cash flow projections. Such securities are designated Level III. The fair values of these private equity securities are generally based on either broker quotes or discounted cash flow projections using assumptions for inputs such as the weighted average cost of capital, long-term revenue growth rates and earnings before interest, taxes, depreciation and amortization, or EBITDA, and/or revenue multiples that are not observable in the markets.

Other invested assets, current: Other invested assets, current include securities held in rabbi trusts that are classified as trading. Fair values are based on quoted market prices.

Securities lending collateral: Fair values of securities lending collateral are based on quoted market prices, where available. These fair values are obtained primarily from third party pricing services, which generally use Level I or Level II inputs for the determination of fair value, to facilitate fair value measurements and disclosures.

Derivatives-interest rate swaps: Fair values are based on the quoted market prices by the financial institution that is the counterparty to the swap. We independently verify prices provided by the counterparties using valuation models that incorporate market observable inputs for similar interest rate swaps.

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A summary of fair value measurements by level for assets and liabilities measured at fair value on a recurring basis at June 30, 2013 and December 31, 2012 is as follows:

| | Level I | Level II | Level III | Total |
|--|------------------|--------------------|-----------------|-------------------|
| June 30, 2013: | | | | |
| Assets: | | | | |
| Cash equivalents | \$ 622.3 | \$ — | \$ — | \$ 622.3 |
| Investments available-for-sale: | | | | |
| Fixed maturity securities: | | | | |
| United States Government securities | 436.3 | — | — | 436.3 |
| Government sponsored securities | — | 164.5 | — | 164.5 |
| States, municipalities and political subdivisions, tax-exempt | — | 6,128.1 | — | 6,128.1 |
| Corporate securities | — | 7,998.9 | 139.2 | 8,138.1 |
| Options embedded in convertible debt securities | — | 73.9 | — | 73.9 |
| Residential mortgage-backed securities | — | 2,418.5 | 12.6 | 2,431.1 |
| Commercial mortgage-backed securities | — | 428.4 | — | 428.4 |
| Other debt securities | 23.8 | 310.2 | 5.4 | 339.4 |
| Total fixed maturity securities | 460.1 | 17,522.5 | 157.2 | 18,139.8 |
| Equity securities | 1,222.5 | 182.0 | 35.8 | 1,440.3 |
| Other invested assets, current | 15.7 | — | — | 15.7 |
| Securities lending collateral | 350.6 | 319.8 | — | 670.4 |
| Derivatives excluding embedded options (reported with other assets) | — | 40.4 | — | 40.4 |
| Total assets | \$2,671.2 | \$ 18,064.7 | \$ 193.0 | \$20,928.9 |
| Liabilities: | | | | |
| Derivatives excluding embedded options (reported with other liabilities) | \$ — | \$ (18.1) | \$ — | \$ (18.1) |
| Total liabilities | \$ — | \$ (18.1) | \$ — | \$ (18.1) |
| December 31, 2012: | | | | |
| Assets: | | | | |
| Cash equivalents | \$ 728.3 | \$ — | \$ — | \$ 728.3 |
| Investments available-for-sale: | | | | |
| Fixed maturity securities: | | | | |
| United States Government securities | 343.2 | — | — | 343.2 |
| Government sponsored securities | — | 156.2 | — | 156.2 |
| States, municipalities and political subdivisions, tax-exempt | — | 5,882.2 | — | 5,882.2 |
| Corporate securities | — | 7,882.9 | 121.1 | 8,004.0 |
| Options embedded in convertible debt securities | — | 67.2 | — | 67.2 |
| Residential mortgage-backed securities | — | 2,300.5 | 4.3 | 2,304.8 |
| Commercial mortgage-backed securities | — | 345.7 | — | 345.7 |
| Other debt securities | 33.8 | 203.4 | 3.9 | 241.1 |
| Total fixed maturity securities | 377.0 | 16,838.1 | 129.3 | 17,344.4 |
| Equity securities | 1,103.1 | 113.2 | 26.2 | 1,242.5 |
| Other invested assets, current | 14.8 | — | — | 14.8 |
| Securities lending collateral | 231.7 | 332.9 | — | 564.6 |
| Derivatives excluding embedded options (reported with other assets) | — | 58.6 | — | 58.6 |
| Total assets | \$2,454.9 | \$ 17,342.8 | \$155.5 | \$19,953.2 |
| Liabilities: | | | | |
| Derivatives excluding embedded options (reported with other liabilities) | \$ — | \$ (0.1) | \$ — | \$ (0.1) |
| Total liabilities | \$ — | \$ (0.1) | \$ — | \$ (0.1) |

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A reconciliation of the beginning and ending balances of assets measured at fair value on a recurring basis using Level III inputs for the three months ended June 30, 2013 and 2012 is as follows:

| | Corporate Securities | Residential Mortgage- backed Securities | Commercial Mortgage- backed Securities | Other Debt Securities | Equity Securities | Total |
|---|-------------------------|--|---|--------------------------|----------------------|-----------------|
| Three Months Ended June 30, 2013: | | | | | | |
| Beginning balance at April 1, 2013 | \$ 121.3 | \$ 12.9 | \$ — | \$ 3.9 | \$ 23.8 | \$ 161.9 |
| Total gains (losses): | | | | | | |
| Recognized in net income | (1.4) | — | — | — | (1.6) | (3.0) |
| Recognized in accumulated other comprehensive income | (2.5) | — | — | 0.1 | 8.1 | 5.7 |
| Purchases | 29.3 | — | — | 1.6 | 5.5 | 36.4 |
| Sales | — | — | — | — | — | — |
| Issues | — | — | — | — | — | — |
| Settlements | (0.8) | (0.3) | — | (0.2) | — | (1.3) |
| Transfers into Level III | — | — | — | — | — | — |
| Transfers out of Level III | (6.7) | — | — | — | — | (6.7) |
| Ending balance at June 30, 2013 | <u>\$ 139.2</u> | <u>\$ 12.6</u> | <u>\$ —</u> | <u>\$ 5.4</u> | <u>\$ 35.8</u> | <u>\$ 193.0</u> |
| Change in unrealized losses included in net income related to assets still held for the three months ended June 30, 2013 | <u>\$ (1.6)</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ (1.6)</u> | <u>\$ (3.2)</u> |
| Three Months Ended June 30, 2012: | | | | | | |
| Beginning balance at April 1, 2012 | \$ 109.2 | \$ 1.4 | \$ — | \$ 8.7 | \$ 20.6 | \$ 139.9 |
| Total gains (losses): | | | | | | |
| Recognized in net income | 0.3 | — | — | — | 0.1 | 0.4 |
| Recognized in accumulated other comprehensive income | (0.6) | — | — | 0.1 | (4.3) | (4.8) |
| Purchases | 27.4 | — | 3.4 | — | 0.3 | 31.1 |
| Sales | (3.2) | — | — | (6.6) | (0.4) | (10.2) |
| Issues | — | — | — | — | — | — |
| Settlements | (7.1) | — | — | (0.3) | — | (7.4) |
| Transfers into Level III | 1.7 | — | 1.9 | 2.0 | 12.5 | 18.1 |
| Transfers out of Level III | — | — | — | — | — | — |
| Ending balance at June 30, 2012 | <u>\$ 127.7</u> | <u>\$ 1.4</u> | <u>\$ 5.3</u> | <u>\$ 3.9</u> | <u>\$ 28.8</u> | <u>\$ 167.1</u> |
| Change in unrealized losses included in net income related to assets still held for the three months ended June 30, 2012 | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> |

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A reconciliation of the beginning and ending balances of assets measured at fair value on a recurring basis using Level III inputs for the six months ended June 30, 2013 and 2012 is as follows:

| | Corporate Securities | Residential Mortgage- backed Securities | Commercial Mortgage- backed Securities | Other Debt Securities | Equity Securities | Total |
|--|-------------------------|--|---|--------------------------|----------------------|-----------------|
| Six Months Ended June 30, 2013: | | | | | | |
| Beginning balance at January 1, 2013 | \$ 121.1 | \$ 4.3 | \$ — | \$ 3.9 | \$ 26.2 | \$ 155.5 |
| Total gains (losses): | | | | | | |
| Recognized in net income | (1.1) | — | — | — | (1.0) | (2.1) |
| Recognized in accumulated other comprehensive income | (3.1) | — | — | 0.3 | 7.2 | 4.4 |
| Purchases | 38.9 | — | — | 1.6 | 5.9 | 46.4 |
| Sales | — | — | — | — | (2.5) | (2.5) |
| Issues | — | — | — | — | — | — |
| Settlements | (9.9) | (1.9) | — | (0.4) | — | (12.2) |
| Transfers into Level III | — | 13.1 | — | — | — | 13.1 |
| Transfers out of Level III | (6.7) | (2.9) | — | — | — | (9.6) |
| Ending balance at June 30, 2013 | <u>\$ 139.2</u> | <u>\$ 12.6</u> | <u>\$ —</u> | <u>\$ 5.4</u> | <u>\$ 35.8</u> | <u>\$ 193.0</u> |
| Change in unrealized losses included in net income related to assets still held for the six months ended June 30, 2013 | <u>\$ (1.6)</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ (3.0)</u> | <u>\$ (4.6)</u> |
| Six Months Ended June 30, 2012: | | | | | | |
| Beginning balance at January 1, 2012 | \$ 195.1 | \$ — | \$ 6.3 | \$ 59.0 | \$ 24.4 | \$ 284.8 |
| Total gains (losses): | | | | | | |
| Recognized in net income | 15.5 | — | — | 0.1 | (0.3) | 15.3 |
| Recognized in accumulated other comprehensive income | (17.5) | — | — | 0.2 | (7.7) | (25.0) |
| Purchases | 46.2 | — | 3.4 | — | 0.3 | 49.9 |
| Sales | (5.1) | — | — | (6.6) | (0.4) | (12.1) |
| Issues | — | — | — | — | — | — |
| Settlements | (58.8) | — | — | (0.8) | — | (59.6) |
| Transfers into Level III | 1.7 | 1.4 | 1.9 | 2.0 | 12.5 | 19.5 |
| Transfers out of Level III | (49.4) | — | (6.3) | (50.0) | — | (105.7) |
| Ending balance at June 30, 2012 | <u>\$ 127.7</u> | <u>\$ 1.4</u> | <u>\$ 5.3</u> | <u>\$ 3.9</u> | <u>\$ 28.8</u> | <u>\$ 167.1</u> |
| Change in unrealized losses included in net income related to assets still held for the six months ended June 30, 2012 | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ (0.4)</u> | <u>\$ (0.4)</u> |

Transfers between levels, if any, are recorded as of the beginning of the reporting period. There were no material transfers into or out of Level III during the six months ended June 30, 2013. During the six months ended June 30, 2012, the transfers out of Level III of corporate securities and commercial mortgage-backed securities were for certain sub-prime securities transferred from Level III to Level II as a result of inputs that were previously unobservable becoming observable due to increased volume and level of trading in active markets. In addition, the transfers out of Level III of other debt securities were for certain inverse floating rate securities transferred from Level III to Level II as a result of those securities' impending maturity and settlement and recent trading activity of similar securities in observable markets.

During the three and six months ended June 30, 2013 and 2012, there were no transfers from Level I to Level II or from Level II to Level I.

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There were no material assets or liabilities measured at fair value on a nonrecurring basis during the three and six months ended June 30, 2013. During the three and six months ended June 30, 2012 we recorded the fair value of net assets acquired and resulting goodwill and other intangible assets related to our 1-800 CONTACTS acquisition using Level III inputs. Other than the assets acquired and liabilities assumed in our acquisition of 1-800 CONTACTS, there were no assets or liabilities measured at fair value on a nonrecurring basis during the three and six months ended June 30, 2012.

Our valuation policy is determined by members of our treasury and accounting departments. Whenever possible, our policy is to obtain quoted market prices in active markets to estimate fair values for recognition and disclosure purposes. Where quoted market prices in active markets are not available, fair values are estimated using discounted cash flow analyses, broker quotes or other valuation techniques. These techniques are significantly affected by our assumptions, including discount rates and estimates of future cash flows. Potential taxes and other transaction costs are not considered in estimating fair values. Our valuation policy is generally to obtain only one quoted price for each security from third party pricing services, which are derived through recently reported trades for identical or similar securities making adjustments through the reporting date based upon available market observable information. When broker quotes are used, we generally obtain only one broker quote per security. As we are responsible for the determination of fair value, we perform monthly analysis on the prices received from third parties to determine whether the prices are reasonable estimates of fair value. This analysis is performed by our internal treasury personnel who are familiar with our investment portfolios, the third party pricing services engaged and the valuation techniques and inputs used. Our analysis includes a review of month-to-month price fluctuations. If unusual fluctuations are noted in this review, we may obtain additional information from other pricing services to validate the quoted price. There were no adjustments to quoted market prices obtained from third party pricing services during the three and six months ended June 30, 2013 or 2012.

In addition to the preceding disclosures on assets recorded at fair value in the consolidated balance sheets, FASB guidance also requires the disclosure of fair values for certain other financial instruments for which it is practicable to estimate fair value, whether or not such values are recognized in the consolidated balance sheets.

Non-financial instruments such as real estate, property and equipment, other current assets, deferred income taxes, intangible assets and certain financial instruments, such as policy liabilities, are excluded from the fair value disclosures. Therefore, the fair value amounts cannot be aggregated to determine our underlying economic value.

The carrying amounts reported in the consolidated balance sheets for cash, accrued investment income, premium and self-funded receivables, other receivables, unearned income, accounts payable and accrued expenses, income taxes receivable/payable, security trades pending payable, securities lending payable and certain other current liabilities approximate fair value because of the short term nature of these items. These assets and liabilities are not listed in the table below.

The following methods, assumptions and inputs were used to estimate the fair value of each class of financial instrument:

Other invested assets, long-term: Other invested assets, long-term include primarily our investments in limited partnerships, joint ventures and other non-controlled corporations, as well as the cash surrender value of corporate-owned life insurance policies. Investments in limited partnerships, joint ventures and other non-controlled corporations are carried at our share in the entities' undistributed earnings, which approximates fair value. The carrying value of corporate-owned life insurance policies represents the cash surrender value as reported by the respective insurer, which approximates fair value.

Short-term borrowings: The fair value of our short-term borrowings is based on quoted market prices for the same or similar debt, or, if no quoted market prices are available, on the current market interest rates available to us for debt of similar terms and remaining maturities.

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Long-term debt – commercial paper: The carrying amount for commercial paper approximates fair value as the underlying instruments have variable interest rates at market value.

Long-term debt – notes: The fair values of our notes are based on quoted market prices in active markets for the same or similar debt, or, if no quoted market prices are available, on the current market observable rates estimated to be available to us for debt of similar terms and remaining maturities.

Long-term debt – convertible debentures: The fair value of our convertible debentures is based on the quoted market price in the active private market in which the convertible debentures trade.

A summary of the carrying values and fair values by level of financial instruments not recorded at fair value on our consolidated balance sheet at June 30, 2013 and December 31, 2012 are as follows:

| | Carrying Value | Fair Value | | | |
|----------------------------------|-------------------|------------|----------|------------|------------|
| | | Level I | Level II | Level III | Total |
| June 30, 2013 | | | | | |
| Assets: | | | | | |
| Other invested assets, long-term | \$ 1,510.4 | \$ — | \$ — | \$ 1,510.4 | \$ 1,510.4 |
| Liabilities: | | | | | |
| Debt: | | | | | |
| Short-term borrowings | 350.0 | — | 350.0 | — | 350.0 |
| Commercial paper | 921.9 | — | 921.9 | — | 921.9 |
| Notes | 12,607.2 | — | 13,117.6 | — | 13,117.6 |
| Convertible debentures | 962.0 | — | 1,867.5 | — | 1,867.5 |
| December 31, 2012 | | | | | |
| Assets: | | | | | |
| Other invested assets, long-term | \$ 1,387.7 | \$ — | \$ — | \$ 1,387.7 | \$ 1,387.7 |
| Liabilities: | | | | | |
| Debt: | | | | | |
| Short-term borrowings | 250.0 | — | 250.0 | — | 250.0 |
| Commercial paper | 570.9 | — | 570.9 | — | 570.9 |
| Notes | 13,198.9 | — | 14,407.1 | — | 14,407.1 |
| Convertible debentures | 958.1 | — | 1,613.4 | — | 1,613.4 |

6. Income Taxes

During the three months ended June 30, 2013 and 2012, we recognized income tax expense of \$410.4 and \$405.0, respectively, which represents effective tax rates of 33.9% and 38.6%, respectively. The increase in income tax expense was due to increased income before income tax expense, partially offset by the impact of a lower effective rate in 2013. The 2013 effective tax rate includes benefits resulting from the deductibility of certain executive compensation costs previously disallowed under health care reform legislation and from continuing decreases in our state apportionment factors calculation, which produces a lower effective state tax rate. The 2012 effective tax rate reflects the non-tax deductibility of litigation settlement expenses associated with the settlement of the *Ormond* class action lawsuit in June 2012.

During the six months ended June 30, 2013 and 2012, we recognized income tax expense of \$812.3 and \$858.3, respectively, which represents effective tax rates of 32.5% and 36.4%, respectively. The decrease in income tax expense was due to a lower effective rate in 2013, partially offset by increased income before income tax expense. The 2013 effective tax rate includes benefits resulting from the deductibility of certain executive compensation costs previously disallowed under health care reform legislation and from inclusion of Amerigroup in our state apportionment factors calculation, which produces a lower effective state tax rate. The 2012 effective tax rate reflects the non-tax deductibility of litigation settlement expenses associated with the settlement of the *Ormond* class action lawsuit in June 2012.

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For additional information regarding the settlement of the *Ormond* class action lawsuit in June 2012, see Note 9, “Commitments and Contingencies.”

7. Retirement Benefits

The components of net periodic benefit (credit) cost included in the consolidated statements of income for the three months ended June 30, 2013 and 2012 are as follows:

| | Pension Benefits | | Other Benefits | |
|--------------------------------------|------------------|--------|----------------|--------|
| | 2013 | 2012 | 2013 | 2012 |
| Service cost | \$ 3.7 | \$ 4.0 | \$ 1.7 | \$ 1.7 |
| Interest cost | 16.7 | 19.2 | 5.6 | 6.9 |
| Expected return on assets | (33.3) | (33.6) | (5.5) | (5.3) |
| Recognized actuarial loss | 8.5 | 7.6 | 2.8 | 3.7 |
| Settlement loss | 3.7 | 3.0 | — | — |
| Amortization of prior service credit | (0.2) | (0.2) | (3.4) | (3.4) |
| Net periodic benefit (credit) cost | \$ (0.9) | \$ — | \$ 1.2 | \$ 3.6 |

The components of net periodic benefit (credit) cost included in the consolidated statements of income for the six months ended June 30, 2013 and 2012 are as follows:

| | Pension Benefits | | Other Benefits | |
|--------------------------------------|------------------|--------|----------------|--------|
| | 2013 | 2012 | 2013 | 2012 |
| Service cost | \$ 7.3 | \$ 8.2 | \$ 3.4 | \$ 3.4 |
| Interest cost | 33.4 | 38.3 | 11.2 | 13.8 |
| Expected return on assets | (66.6) | (67.3) | (11.0) | (10.5) |
| Recognized actuarial loss | 17.1 | 15.2 | 5.6 | 7.1 |
| Settlement loss | 7.1 | 6.6 | — | — |
| Amortization of prior service credit | (0.4) | (0.4) | (6.7) | (6.7) |
| Net periodic benefit (credit) cost | \$ (2.1) | \$ 0.6 | \$ 2.5 | \$ 7.1 |

For the year ending December 31, 2013, no material contributions are expected to be necessary to meet the Employee Retirement Income Security Act, or ERISA, required funding levels; however, we may elect to make discretionary contributions up to the maximum amount deductible for income tax purposes. No contributions were made to our retirement benefit plans during the six months ended June 30, 2013 and 2012.

8. Debt

As a result of our acquisition of Amerigroup on December 24, 2012, the carrying amount of Amerigroup’s \$475.0 of 7.500% senior unsecured notes due 2019 was included in our consolidated balance sheet as of December 31, 2012. In accordance with FASB accounting guidance for business combinations, the notes were recorded at their estimated fair value of \$556.9 on the date of acquisition. On January 25, 2013 we redeemed the outstanding principal balance of these notes, plus applicable premium for early redemption, for cash totaling \$555.6. The weighted-average redemption price of the notes was approximately 117% of the principal amount outstanding.

We have a senior revolving credit facility, or the Facility, with certain lenders for general corporate purposes. The Facility, as amended, provides credit up to \$2,000.0, and matures on September 29, 2016. There were no amounts outstanding under this Facility as of June 30, 2013 or at any time during the three and six months then ended.

We have an authorized commercial paper program of up to \$2,500.0, the proceeds of which may be used for general corporate purposes. At June 30, 2013, we had \$921.9 outstanding under this program.

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We have issued senior convertible debentures due 2042, or the Debentures, which are governed by an indenture between us and The Bank of New York Mellon Trust Company, N.A., as trustee. We have accounted for the Debentures in accordance with the FASB cash conversion guidance for debt with conversion and other options. As a result, the value of the embedded conversion option has been bifurcated from its debt host and recorded as a component of “additional paid-in capital” (net of deferred taxes and equity issuance costs) in our consolidated balance sheets. The following table summarizes at June 30, 2013 the related balances, conversion rate and conversion price of the Debentures:

| | |
|--|------------|
| Outstanding principal amount | \$ 1,500.0 |
| Unamortized debt discount | 538.0 |
| Net debt carrying amount | 962.0 |
| Equity component carrying amount | 543.6 |
| Conversion rate (shares of common stock per \$1,000 of principal amount) | 13.2658 |
| Effective conversion price (per \$1,000 of principal amount) | \$75.3815 |

9. Commitments and Contingencies

Litigation

In the ordinary course of business, we are defendants in, or parties to, a number of pending or threatened legal actions or proceedings. To the extent a plaintiff or plaintiffs in the following cases have specified in their complaint or in other court filings the amount of damages being sought, we have noted those alleged damages in the descriptions below. With respect to the cases described below, we contest liability and/or the amount of damages in each matter and believe we have meritorious defenses.

In the Los Angeles County Superior Court, we defended a lawsuit filed by the Los Angeles City Attorney alleging the wrongful rescission of individual insurance policies and representations made concerning rescission practices and policies. The suit named WellPoint as well as Blue Cross of California, or BCC, and BC Life & Health Insurance Company, or BCL&H (which name changed to Anthem Blue Cross Life and Health Insurance Company in July 2007), both WellPoint subsidiaries. The lawsuit generally alleged unfair business practices and a purported practice of rescinding new individual members following the submission of large claims. The Los Angeles City Attorney filed an amended complaint in October 2010, adding claims of misrepresentation arising from several public statements made by the Company during 2010. The Los Angeles City Attorney requested two thousand five hundred dollars (\$2,500) per alleged violation of the California Business and Professions Code. The lawsuit was recently settled for \$6.0. The court entered final approval of the settlement and judgment on July 10, 2013.

We are defending a certified class action filed as a result of the 2001 demutualization of Anthem Insurance Companies, Inc., or AICI. The lawsuit names AICI as well as Anthem, Inc., or Anthem, n/k/a WellPoint, Inc., and is captioned *Ronald Gold, et al. v. Anthem, Inc. et al.* AICI’s 2001 Plan of Conversion, or the Plan, provided for the conversion of AICI from a mutual insurance company into a stock insurance company pursuant to Indiana law. Under the Plan, AICI distributed the fair value of the company at the time of conversion to its Eligible Statutory Members, or ESMs, in the form of cash or Anthem common stock in exchange for their membership interests in the mutual company. Plaintiffs in *Gold* allege that AICI distributed value to the wrong ESMs. Cross motions for summary judgment were granted in part and denied in part on July 26, 2006 with regard to the issue of sovereign immunity asserted by co-defendant, the state of Connecticut, or the State. The court also denied our motion for summary judgment as to plaintiffs’ claims on January 10, 2005. The State appealed the denial of its motion to the Connecticut Supreme Court. We filed a cross-appeal on the sovereign immunity issue. On May 11, 2010, the Court reversed the judgment of the trial court denying the State’s motion to dismiss the plaintiff’s claims under sovereign immunity and dismissed our cross-appeal. The case was remanded to the trial court for further proceedings. Plaintiffs’ motion for class certification was granted on December 15, 2011. We and the plaintiffs filed renewed cross-motions for summary judgment on January 24, 2013. Argument on the renewed

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motions was held on April 19, 2013. We intend to vigorously defend the *Gold* lawsuit; however, its ultimate outcome cannot be presently determined. In 2012, we settled a separate lawsuit captioned *Mary E. Ormond, et al. v. Anthem, Inc., et al.*, also filed as a result of the 2001 demutualization of AICI. The *Ormond* case involves a certified class that consists of all ESMs residing in Ohio, Indiana, Kentucky or Connecticut who received cash compensation in connection with the demutualization. On July 1, 2011, the Court held that we were entitled to judgment on all of plaintiffs' claims except those tort claims in connection with the pricing and sizing of the Anthem, Inc. initial public offering. The parties have reached an agreement to resolve the *Ormond* suit. On June 15, 2012, plaintiffs filed an unopposed motion for preliminary approval of a \$90.0 cash settlement, including any amounts to be awarded for attorneys' fees and expenses and other costs to administer the settlement. As a result, during the six months ended June 30, 2012, we recorded selling, general and administrative expense of \$90.0, or \$0.27 per diluted share, associated with this settlement, which was non-deductible for tax purposes. The Court granted plaintiffs' motion and entered preliminary approval of the settlement on June 18, 2012. As a result, the trial that had been set for June 18, 2012 was vacated. The cash settlement was paid on July 3, 2012 into an escrow account. A final fairness hearing on the settlement was held on October 25, 2012. On November 16, 2012, the Court granted plaintiffs' motion and entered an amended final order approving the settlement. An award of attorneys' fees was issued on November 20, 2012, together with a final judgment dismissing all of plaintiffs' claims. The two appeals of the court's final orders that were taken by objectors to the United States Court of Appeals for the Seventh Circuit have been resolved. The appeals involved challenges to (i) the amount of attorneys' fees awarded to plaintiffs' counsel out of the settlement fund and (ii) the provision of the Court's order granting final approval of the settlement that requires any residual settlement funds remaining after two rounds of distributions to class members to be paid to the Eskanazi Health Foundation as a *cy pres* award.

We are currently a defendant in eleven putative class actions relating to out-of-network, or OON, reimbursement that were consolidated into a single multi-district lawsuit called *In re WellPoint, Inc. Out-of-Network "UCR" Rates Litigation* that is pending in the United States District Court for the Central District of California. The lawsuits were filed in 2009. The plaintiffs include current and former members on behalf of a putative class of members who received OON services for which the defendants paid less than billed charges, the American Medical Association, four state medical associations, OON physicians, chiropractors, clinical psychologists, podiatrists, psychotherapists, the American Podiatric Association, California Chiropractic Association and the California Psychological Association on behalf of a putative class of all physicians and all non-physician health care providers, and an OON surgical center. In the consolidated complaint, the plaintiffs allege that the defendants violated the Racketeer Influenced and Corrupt Organizations Act, or RICO, the Sherman Antitrust Act, ERISA, federal regulations, and state law by relying on databases provided by Ingenix in determining OON reimbursement. A consolidated amended complaint was filed to add allegations in the lawsuit that OON reimbursement was calculated improperly by methodologies other than the Ingenix databases. We filed a motion to dismiss the amended consolidated complaint, which motion was granted in part and denied in part. The court gave the plaintiffs permission to replead many of those claims that were dismissed. The plaintiffs then filed a third amended consolidated complaint repleading some of the claims that had been dismissed without prejudice and adding additional statements in an attempt to bolster other claims. We filed a motion to dismiss most of the claims in the third amended consolidated complaint, which was granted in part and denied in part. The plaintiffs filed a fourth amended consolidated complaint on November 5, 2012. We filed a motion to dismiss most of the claims asserted in the fourth amended consolidated complaint. The plaintiffs filed a response and we filed a reply. The OON surgical center voluntarily dismissed its claims. A hearing on our motion to dismiss was held in June 2013. On July 19, 2013 the court issued an order granting in part and denying in part our motion. The court held that the state and federal anti-trust claims along with the RICO claims should be dismissed in their entirety with prejudice. The court further found that the ERISA claims, to the extent they involved non-Ingenix methodologies along with those that involved our alleged non-disclosures should be dismissed with prejudice. The court also dismissed most of the plaintiffs' state law claims with prejudice. The only claims that remain after the court's decision are an ERISA benefits claim relating to claims priced based on Ingenix, a breach of contract claim on behalf of one subscriber plaintiff, a breach of implied covenant claim on behalf of one plaintiff, and one subscriber plaintiff's claim under the California Unfair Competition Law. Fact discovery is complete. At the end of 2009, we filed a motion in the United States District Court for the Southern District of

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Florida, or the Florida Court, to enjoin the claims brought by the medical doctors and doctors of osteopathy and certain medical associations based on prior litigation releases, which was granted in 2011, and that court ordered the plaintiffs to dismiss their claims that are barred by the release. The plaintiffs then filed a petition for declaratory judgment asking the court to find that these claims are not barred by the releases from the prior litigation. We filed a motion to dismiss the declaratory judgment action, which was granted. The plaintiffs appealed the dismissal of the declaratory judgment to the United States Court of Appeals for the Eleventh Circuit, but the dismissal was upheld. The enjoined physicians have not yet dismissed their claims. The Florida Court found the enjoined physicians in contempt and sanctioned them on July 25, 2012. The barred physicians are paying the sanctions and have appealed the Florida Court's sanctions order to the Eleventh Circuit. Oral argument on that appeal is expected to take place in October. We intend to vigorously defend these suits; however, their ultimate outcome cannot be presently determined.

Where available information indicates that it is probable that a loss has been incurred as of the date of the consolidated financial statements and we can reasonably estimate the amount of that loss, we accrue the estimated loss by a charge to income. In many proceedings, however, it is difficult to determine whether any loss is probable or reasonably possible. In addition, even where loss is possible or an exposure to loss exists in excess of the liability already accrued with respect to a previously identified loss contingency, it is not always possible to reasonably estimate the amount of the possible loss or range of loss.

With respect to many of the proceedings to which we are a party, we cannot provide an estimate of the possible losses, or the range of possible losses in excess of the amount, if any, accrued, for various reasons, including but not limited to some or all of the following: (i) there are novel or unsettled legal issues presented, (ii) the proceedings are in early stages, (iii) there is uncertainty as to the likelihood of a class being certified or decertified or the ultimate size and scope of the class, (iv) there is uncertainty as to the outcome of pending appeals or motions, (v) there are significant factual issues to be resolved, and/or (vi) in many cases, the plaintiffs have not specified damages in their complaint or in court filings. For those legal proceedings where a loss is probable, or reasonably possible, and for which it is possible to reasonably estimate the amount of the possible loss or range of losses, we currently believe that the range of possible losses, in excess of established reserves, for all of those proceedings is from \$0 to approximately \$350.0 at June 30, 2013. This estimated aggregate range of reasonably possible losses is based upon currently available information taking into account our best estimate of such losses for which such an estimate can be made.

Other Contingencies

From time to time, we and certain of our subsidiaries are parties to various legal proceedings, many of which involve claims for coverage encountered in the ordinary course of business. We, like HMOs and health insurers generally, exclude certain health care and other services from coverage under our HMO, PPO and other plans. We are, in the ordinary course of business, subject to the claims of our enrollees arising out of decisions to restrict or deny reimbursement for uncovered services. The loss of even one such claim, if it results in a significant punitive damage award, could have a material adverse effect on us. In addition, the risk of potential liability under punitive damage theories may increase significantly the difficulty of obtaining reasonable settlements of coverage claims.

In addition to the lawsuits described above, we are also involved in other pending and threatened litigation of the character incidental to our business, and are from time to time involved as a party in various governmental investigations, audits, reviews and administrative proceedings. These investigations, audits, reviews and administrative proceedings include routine and special inquiries by state insurance departments, state attorneys general, the U.S. Attorney General and subcommittees of the U.S. Congress. Such investigations, audits, reviews and administrative proceedings could result in the imposition of civil or criminal fines, penalties, other sanctions and additional rules, regulations or other restrictions on our business operations. Any liability that may result from any one of these actions, or in the aggregate, could have a material adverse effect on our consolidated financial position or results of operations.

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The National Organization of Life & Health Insurance Guaranty Associations, or NOLHGA, is a voluntary organization consisting of the state life and health insurance guaranty associations located throughout the U.S. State life and health insurance guaranty associations, working together with NOLHGA, provide a safety net for their state's policyholders, ensuring that they continue to receive coverage even if their insurer is declared insolvent. We are aware that the Pennsylvania Insurance Commissioner, or Insurance Commissioner, has placed Penn Treaty Network America Insurance Company and its subsidiary American Network Insurance Company, or collectively Penn Treaty, in rehabilitation, an intermediate action before insolvency. The state court denied the Insurance Commissioner's petition for the liquidation of Penn Treaty and ordered the Insurance Commissioner to file an updated plan of rehabilitation, which proposed plan was filed on April 30, 2013. The state court has ordered a hearing on the proposed plan for which a date has not yet been set. The Insurance Commissioner has filed a Notice of Appeal asking the Pennsylvania Supreme Court to reverse the order denying the liquidation petition. The Supreme Court has noted possible jurisdiction over the appeal and issued a schedule for filing briefs. In the event rehabilitation of Penn Treaty is unsuccessful and Penn Treaty is declared insolvent and placed in liquidation, we and other insurers may be required to pay a portion of their policyholder claims through state guaranty association assessments in future periods. Given the uncertainty around whether Penn Treaty will ultimately be declared insolvent and, if so, the amount of the insolvency, the amount and timing of any associated future guaranty fund assessments and the availability and amount of any potential premium tax and other offsets, we currently cannot estimate our net exposure, if any, to this potential insolvency. We will continue to monitor the situation and may record a liability and expense in future reporting periods, which could be material to our cash flows and results of operations.

Contractual Obligations and Commitments

We are a party to an agreement with Express Scripts, Inc., or Express Scripts, to provide pharmacy benefit management, or PBM, services for our plans, excluding Amerigroup and certain self-insured members, which have exclusive agreements with different PBM services providers. The initial term of this agreement expires on December 31, 2019. Under this agreement, Express Scripts is the exclusive provider of certain specified PBM services, such as pharmacy network management, home delivery, pharmacy customer service, claims processing, rebate management, drug utilization and specialty pharmaceutical management services. Accordingly, the agreement contains certain financial and operational requirements obligating both Express Scripts and us. Express Scripts' primary obligations relate to the performance of such services and meeting certain pricing guarantees and performance standards. Our primary obligations relate to oversight, provision of data, payment for services and certain minimum volume requirements. The failure by either party to meet the respective requirements could potentially serve as a basis for financial penalties or early termination of the contract. We believe we have appropriately recognized all rights and obligations under this contract at June 30, 2013.

During the first quarter of 2010, we entered into a new agreement with International Business Machines Corporation to provide information technology infrastructure services. This new agreement supersedes certain prior agreements and also includes provisions for additional services. Our remaining commitment under this agreement at June 30, 2013 was \$346.1 through March 31, 2015. We have the ability to terminate this agreement upon the occurrence of certain events, subject to early termination fees.

On March 31, 2009, we entered into an agreement with Affiliated Computer Services, Inc. to provide certain print and mailroom services that were previously performed in-house. Our remaining commitment under this agreement at June 30, 2013 was \$172.9 through March 31, 2016. We have the ability to terminate this agreement upon the occurrence of certain events, subject to early termination fees.

10. Capital Stock

Use of Capital – Dividends and Stock Repurchase Program

We regularly review the appropriate use of capital, including common stock repurchases and dividends to shareholders. The declaration and payment of any dividends or repurchases of our common stock are at the discretion of our Board of Directors and depend upon our financial condition, results of operations, future liquidity needs, regulatory and capital requirements and other factors deemed relevant by our Board of Directors.

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A summary of the cash dividend activity for the six months ended June 30, 2013 and 2012 is as follows:

| <u>Declaration Date</u> | <u>Record Date</u> | <u>Payment Date</u> | <u>Cash Dividend per Share</u> | <u>Total</u> |
|---------------------------------------|--------------------|---------------------|--------------------------------|--------------|
| Six Months Ended June 30, 2013 | | | | |
| February 20, 2013 | March 8, 2013 | March 25, 2013 | \$ 0.3750 | \$ 113.4 |
| May 15, 2013 | June 10, 2013 | June 25, 2013 | 0.3750 | 112.7 |
| Six Months Ended June 30, 2012 | | | | |
| January 24, 2012 | March 9, 2012 | March 23, 2012 | \$0.2875 | \$ 95.8 |
| May 16, 2012 | June 8, 2012 | June 25, 2012 | 0.2875 | 93.5 |

Under our Board of Directors' authorization, we maintain a common stock repurchase program. Repurchases may be made from time to time at prevailing market prices, subject to certain restrictions on volume, pricing and timing. The repurchases are effected from time to time in the open market, through negotiated transactions, including accelerated share repurchase agreements, and through plans designed to comply with Rule 10b5-1 under the Securities Exchange Act of 1934, as amended. Our stock repurchase program is discretionary as we are under no obligation to repurchase shares. We repurchase shares under the program when we believe it is a prudent use of capital. The excess cost of repurchased shares over par value is charged on a pro rata basis to additional paid-in capital and retained earnings.

A summary of share repurchases for the period July 1, 2013 through July 11, 2013 (subsequent to June 30, 2013) and for the six months ended June 30, 2013 and 2012 is as follows:

| | <u>July 1, 2013 Through July 11, 2013</u> | <u>Six Months Ended June 30</u> | |
|---|---|-------------------------------------|-------------|
| | | <u>2013</u> | <u>2012</u> |
| Shares repurchased | 0.7 | 9.1 | 17.4 |
| Average price per share | \$ 81.59 | \$ 67.31 | \$ 67.52 |
| Aggregate cost | \$ 60.8 | \$ 615.5 | \$1,173.6 |
| Authorization remaining at the end of each period | \$ 1,160.5 | \$1,221.3 | \$3,160.2 |

Stock Incentive Plans

A summary of stock option activity for the six months ended June 30, 2013 is as follows:

| | <u>Number of Shares</u> | <u>Weighted- Average Option Price per Share</u> | <u>Weighted- Average Remaining Contractual Life (Years)</u> | <u>Aggregate Intrinsic Value</u> |
|--------------------------------|-----------------------------|---|---|--|
| Outstanding at January 1, 2013 | 17.8 | \$ 64.67 | | |
| Granted | 2.0 | 62.32 | | |
| Exercised | (2.9) | 52.51 | | |
| Forfeited or expired | (1.3) | 71.52 | | |
| Outstanding at June 30, 2013 | 15.6 | \$ 66.11 | 3.5 | \$ 246.2 |
| Exercisable at June 30, 2013 | 12.4 | \$ 66.86 | 2.8 | \$ 185.4 |

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A summary of the status of nonvested restricted stock activity, including restricted stock units, for the six months ended June 30, 2013 is as follows:

| | Restricted Stock Shares and Units | Weighted- Average Grant Date Fair Value per Share |
|------------------------------|---|---|
| Nonvested at January 1, 2013 | 2.6 | \$ 63.87 |
| Granted | 2.3 | 62.46 |
| Vested | (0.3) | 59.58 |
| Forfeited | (0.4) | 64.94 |
| Nonvested at June 30, 2013 | 4.2 | \$ 63.32 |

Fair Value

We use a binomial lattice valuation model to estimate the fair value of all stock options granted. For a more detailed discussion of our stock incentive plan fair value methodology, see Note 15, "Capital Stock," to our audited consolidated financial statements as of and for the year ended December 31, 2012 included in our 2012 Annual Report on Form 10-K.

The following weighted-average assumptions were used to estimate the fair values of options granted during the six months ended June 30, 2013 and 2012:

| | 2013 | 2012 |
|--|--------|--------|
| Risk-free interest rate | 1.25% | 1.41% |
| Volatility factor | 35.00% | 34.00% |
| Quarterly dividend yield | 0.600% | 0.400% |
| Weighted-average expected life (years) | 4.0 | 4.1 |

The following weighted-average fair values were determined for the six months ended June 30, 2013 and 2012:

| | 2013 | 2012 |
|-----------------------------------|---------|---------|
| Options granted during the period | \$14.53 | \$16.53 |

11. Accumulated Other Comprehensive Income (Loss)

A reconciliation of the components of accumulated other comprehensive income (loss) at June 30, 2013 and 2012 is as follows:

| | 2013 | 2012 |
|--|------------|------------|
| Investments: | | |
| Gross unrealized gains | \$ 1,016.4 | \$ 1,154.1 |
| Gross unrealized losses | (313.9) | (86.6) |
| Net pre-tax unrealized gains | 702.5 | 1,067.5 |
| Deferred tax liability | (242.2) | (373.8) |
| Net unrealized gains on investments | 460.3 | 693.7 |
| Non-credit components of other-than-temporary impairments on investments: | | |
| Unrealized losses | — | (3.4) |
| Deferred tax asset | — | 1.2 |
| Net unrealized non-credit component of other-than-temporary impairments on investments | — | (2.2) |
| Cash flow hedges: | | |
| Gross unrealized losses | (52.0) | (53.6) |
| Deferred tax asset | 18.2 | 18.8 |
| Net unrealized losses on cash flow hedges | (33.8) | (34.8) |
| Defined benefit pension plans: | | |
| Deferred net actuarial loss | (662.7) | (631.8) |
| Deferred prior service credits | 3.5 | 4.3 |
| Deferred tax asset | 259.7 | 254.1 |
| Net unrecognized periodic benefit costs for defined benefit pension plans | (399.5) | (373.4) |
| Postretirement benefit plans: | | |
| Deferred net actuarial loss | (185.5) | (227.3) |
| Deferred prior service credits | 96.5 | 109.6 |
| Deferred tax asset | 35.0 | 47.7 |
| Net unrecognized periodic benefit costs for postretirement benefit plans | (54.0) | (70.0) |
| Foreign currency translation adjustments: | | |
| Gross unrealized losses | (0.3) | (1.7) |
| Deferred tax asset | 0.1 | 0.6 |
| Net unrealized losses on foreign currency translation adjustments | (0.2) | (1.1) |
| Accumulated other comprehensive (loss) income | \$ (27.2) | \$ 212.2 |

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Other comprehensive income (loss) reclassification adjustments for the three months ended June 30, 2013 and 2012 are as follows :

| | <u>2013</u> | <u>2012</u> |
|---|-------------------|------------------|
| Investments: | | |
| Net holding loss on investment securities arising during the period, net of tax benefit of \$207.8 and \$38.7, respectively | \$ (404.8) | \$ (69.1) |
| Reclassification adjustment for net realized gain on investment securities, net of tax expense of \$14.5 and \$22.6, respectively | 27.0 | 42.0 |
| Total reclassification adjustment on investments | (377.8) | (27.1) |
| Non-credit component of other-than-temporary impairments on investments: | | |
| Non-credit component of other-than-temporary impairments on investments, net of tax benefit of \$0.0 and \$0.2, respectively | — | (0.4) |
| Cash flow hedges: | | |
| Holding gain, net of tax expense (benefit) of \$0.4 and \$(0.1), respectively | 0.8 | (0.2) |
| Other: | | |
| Net change in unrecognized periodic benefit costs for defined benefit pension and postretirement benefit plans, net of tax expense of \$4.5 and \$4.3, respectively | 7.0 | 6.3 |
| Foreign currency translation adjustment, net of tax expense (benefit) of \$0.3 and \$(0.8), respectively | 0.3 | (1.4) |
| Net loss recognized in other comprehensive income (loss), net of tax benefit of \$188.1 and \$12.9, respectively | <u>\$ (369.7)</u> | <u>\$ (22.8)</u> |

Other comprehensive income (loss) reclassification adjustments for the six months ended June 30, 2013 and 2012 are as follows :

| | <u>2013</u> | <u>2012</u> |
|---|-------------------|----------------|
| Investments: | | |
| Net holding loss on investment securities arising during the period, net of tax benefit of \$205.4 and \$14.3, respectively | \$ (375.1) | \$ (24.2) |
| Reclassification adjustment for net realized gain on investment securities, net of tax expense of \$17.1 and \$56.2, respectively | 31.8 | 104.4 |
| Total reclassification adjustment on investments | (343.3) | 80.2 |
| Non-credit component of other-than-temporary impairments on investments: | | |
| Non-credit component of other-than-temporary impairments on investments, net of tax expense of \$1.2 and \$2.4, respectively | 2.2 | 4.4 |
| Cash flow hedges: | | |
| Holding gain, net of tax expense of \$0.8 and \$0.3, respectively | 1.5 | 0.4 |
| Other: | | |
| Net change in unrecognized periodic benefit costs for defined benefit pension and postretirement benefit plans, net of tax expense of \$8.9 and \$8.8, respectively | 13.8 | 13.0 |
| Foreign currency translation adjustment, net of tax benefit of \$0.2 and \$0.4, respectively | (0.5) | (0.7) |
| Net (loss) gain recognized in other comprehensive income (loss), net of tax (benefit) expense of \$(177.6) and \$53.0, respectively | <u>\$ (326.3)</u> | <u>\$ 97.3</u> |

12. Earnings per Share

The denominator for basic and diluted earnings per share for the three and six months ended June 30, 2013 and 2012 was as follows:

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|--|-------------------------------|-------|-----------------------------|-------|
| | 2013 | 2012 | 2013 | 2012 |
| Denominator for basic earnings per share – weighted average shares | 299.5 | 327.7 | 301.3 | 331.3 |
| Effect of dilutive securities – employee and director stock options and non-vested restricted stock awards | 3.7 | 3.5 | 3.2 | 3.8 |
| Denominator for diluted earnings per share | 303.2 | 331.2 | 304.5 | 335.1 |

During the three months ended June 30, 2013 and 2012, weighted average shares related to certain stock options of 5.3 and 10.8, respectively, were excluded from the denominator for diluted earnings per share because the stock options were anti-dilutive. During the six months ended June 30, 2013 and 2012, weighted average shares related to certain stock options of 8.4 and 10.5, respectively, were excluded from the denominator for diluted earnings per share because the stock options were anti-dilutive.

During the three and six months ended June 30, 2013, shares related to the conversion feature of our Debentures were excluded from the denominator for diluted earnings per share because they were anti-dilutive.

During the six months ended June 30, 2013, we issued approximately 2.3 restricted stock units under our stock incentive plans, 0.9 of which vesting is contingent upon us meeting specified annual operating gain targets for 2013. The contingent restricted stock units have been excluded from the denominator for diluted earnings per share and will be included only if and when the contingency is met.

13. Segment Information

On May 20, 2013, we announced certain organizational and executive leadership changes to align with how our new Chief Executive Officer is managing the Company. Beginning with the three months ended June 30, 2013, our organizational structure is comprised of three reportable segments: Commercial and Specialty Business, Government Business and Other.

Our Commercial and Specialty Business segment includes Local Group, National Accounts, Individual and Specialty businesses. Business units in the Commercial and Specialty Business segment offer fully-insured products; provide a broad array of managed care services to self-funded customers including claims processing, underwriting, stop loss insurance, actuarial services, provider network access, medical cost management, disease management, wellness programs and other administrative services; provide an array of specialty and other insurance products and services such as behavioral health benefit services, dental, vision, life and disability insurance benefits, radiology benefit management, analytics-driven personal health care guidance and long-term care insurance; and include the operations of our 1-800 CONTACTS business.

Our Government Business segment includes Medicare and Medicaid businesses, National Government Services and services provided to the Federal Government in connection with FEP. Medicare business includes services such as Medicare Advantage, Medicare Part D, and Medicare Supplement, while Medicaid business includes our managed care alternatives through publicly funded health care programs, including Medicaid, state Children's Health Insurance Programs and Medicaid expansion programs. National Government Services acts as a Medicare contractor in several regions across the nation.

Our Other segment includes other businesses that do not meet the quantitative thresholds for an operating segment as defined by FASB guidance, as well as corporate expenses not allocated to the other reportable segments.

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We define operating revenues to include premium income, administrative fees and other revenue. Operating revenues are derived from premiums and fees received primarily from the sale and administration of health benefit products, as well as sales of ocular products by 1-800 CONTACTS. Operating gain is calculated as total operating revenue less benefit expense; selling, general and administrative expense; and costs of products.

Financial data by reportable segment for the three and six months ended June 30, 2013 and 2012 is as follows (amounts reported for prior periods have been reclassified to conform to our new segment reporting structure):

| | Commercial and Specialty Business | Government Business | Other | Total |
|---|---|------------------------|---------|-------------|
| Three Months Ended June 30, 2013: | | | | |
| Operating revenue from external customers | \$ 9,757.1 | \$ 7,834.9 | \$ 5.2 | \$ 17,597.2 |
| Operating gain (loss) | 939.4 | 298.4 | (6.1) | 1,231.7 |
| Three Months Ended June 30, 2012: | | | | |
| Operating revenue from external customers | \$ 9,782.0 | \$ 5,381.8 | \$ 9.5 | \$ 15,173.3 |
| Operating gain (loss) | 869.0 | 132.7 | (10.0) | 991.7 |
| Six Months Ended June 30, 2013: | | | | |
| Operating revenue from external customers | \$ 19,569.6 | \$ 15,562.4 | \$ 11.5 | \$ 35,143.5 |
| Operating gain (loss) | 2,181.7 | 431.1 | (13.5) | 2,599.3 |
| Six Months Ended June 30, 2012: | | | | |
| Operating revenue from external customers | \$ 19,640.5 | \$ 10,665.1 | \$ 17.9 | \$ 30,323.5 |
| Operating gain (loss) | 2,010.9 | 212.8 | (19.4) | 2,204.3 |

A reconciliation of reportable segments operating revenues to total revenues reported in the consolidated statements of income for the three and six months ended June 30, 2013 and 2012 is as follows:

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|-------------------------------|--------------------|-----------------------------|--------------------|
| | 2013 | 2012 | 2013 | 2012 |
| Reportable segments operating revenues | \$ 17,597.2 | \$ 15,173.3 | \$ 35,143.5 | \$ 30,323.5 |
| Net investment income | 153.2 | 169.4 | 315.2 | 338.4 |
| Net realized gains on investments | 54.2 | 70.5 | 71.0 | 177.4 |
| Other-than-temporary impairment losses recognized in income | (9.0) | (5.9) | (46.9) | (16.8) |
| Total revenues | <u>\$ 17,795.6</u> | <u>\$ 15,407.3</u> | <u>\$ 35,482.8</u> | <u>\$ 30,822.5</u> |

A reconciliation of reportable segments operating gain to income before income tax expense included in the consolidated statements of income for the three and six months ended June 30, 2013 and 2012 is as follows:

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|-------------------------------|-------------------|-----------------------------|-------------------|
| | 2013 | 2012 | 2013 | 2012 |
| Reportable segments operating gain | \$ 1,231.7 | \$ 991.7 | \$ 2,599.3 | \$ 2,204.3 |
| Net investment income | 153.2 | 169.4 | 315.2 | 338.4 |
| Net realized gains on investments | 54.2 | 70.5 | 71.0 | 177.4 |
| Other-than-temporary impairment losses recognized in income | (9.0) | (5.9) | (46.9) | (16.8) |
| Interest expense | (151.9) | (117.6) | (305.4) | (226.7) |
| Amortization of other intangible assets | (67.7) | (59.5) | (135.6) | (118.2) |
| Income before income tax expense | <u>\$ 1,210.5</u> | <u>\$ 1,048.6</u> | <u>\$ 2,497.6</u> | <u>\$ 2,358.4</u> |

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(In Millions, Except Per Share Data or Otherwise Stated Herein)

References to the terms “we”, “our” or “us” used throughout this Management’s Discussion and Analysis of Financial Condition and Results of Operations, or MD&A, refer to WellPoint, Inc., an Indiana corporation, and unless the context otherwise requires, its direct and indirect subsidiaries.

This MD&A should be read in conjunction with our audited consolidated financial statements as of and for the year ended December 31, 2012 and the MD&A included in our 2012 Annual Report on Form 10-K, and our unaudited consolidated financial statements and accompanying notes as of and for the three and six months ended June 30, 2013 included in this Form 10-Q. Results of operations, cost of care trends, investment yields and other measures for the three and six month periods ended June 30, 2013 are not necessarily indicative of the results and trends that may be expected for the full year ending December 31, 2013. Also see Part I, Item 1A, “Risk Factors” of our 2012 Annual Report on Form 10-K and Part II, Item 1A, “Risk Factors” of this Form 10-Q.

Overview

On May 20, 2013, we announced certain organizational and executive leadership changes to align with how our new Chief Executive Officer is managing our operations. Beginning with the three months ended June 30, 2013, our organizational structure is comprised of three reportable segments: Commercial and Specialty Business, Government Business and Other. Prior period segment information has been reclassified to conform to the new segment reporting structure.

Our Commercial and Specialty Business segment includes Local Group, National Accounts, Individual and Specialty businesses. Business units in the Commercial and Specialty Business segment offer fully-insured products; provide a broad array of managed care services to self-funded customers including claims processing, underwriting, stop loss insurance, actuarial services, provider network access, medical cost management, disease management, wellness programs and other administrative services; provide an array of specialty and other insurance products and services such as behavioral health benefit services, dental, vision, life and disability insurance benefits, radiology benefit management, analytics-driven personal health care guidance and long-term care insurance; and include the operations of our 1-800 CONTACTS, Inc., or 1-800 CONTACTS business.

Our Government Business segment includes Medicare and Medicaid businesses, National Government Services and services provided to the Federal Government in connection with the Federal Employee Program, or FEP. Medicare business includes services such as Medicare Advantage, Medicare Part D, and Medicare Supplement, while Medicaid business includes our managed care alternatives through publicly funded health care programs, including Medicaid, state Children’s Health Insurance Programs and Medicaid expansion programs. National Government Services acts as a Medicare contractor in several regions across the nation.

Our Other segment includes other businesses that do not meet the quantitative thresholds for an operating segment as defined by Financial Accounting Standards Board, or FASB, guidance, as well as corporate expenses not allocated to the other reportable segments.

For additional information about our organization, see the “Overview” section of Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in our 2012 Annual Report on Form 10-K.

Executive Summary

We are one of the largest health benefits companies in the United States, serving approximately 35.7 medical members through our affiliated health plans and approximately 68.0 individuals through all subsidiaries as of June 30, 2013. We are an independent licensee of the Blue Cross and Blue Shield Association, or BCBSA, an association of independent health benefit plans. We serve our members as the Blue Cross licensee for California and

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as the Blue Cross and Blue Shield, or BCBS, licensee for: Colorado, Connecticut, Georgia, Indiana, Kentucky, Maine, Missouri (excluding 30 counties in the Kansas City area), Nevada, New Hampshire, New York (as BCBS in 10 New York City metropolitan and surrounding counties, and as Blue Cross or BCBS in selected upstate counties only), Ohio, Virginia (excluding the Northern Virginia suburbs of Washington, D.C.), and Wisconsin. In a majority of these service areas we do business as Anthem Blue Cross, Anthem Blue Cross and Blue Shield, Blue Cross and Blue Shield of Georgia, Empire Blue Cross Blue Shield, or Empire Blue Cross (in our New York service areas). Through our AMERIGROUP Corporation subsidiary, or Amerigroup, we conduct business in Florida, Georgia, Kansas, Louisiana, Maryland, Nevada, New Jersey, New Mexico, New York, Tennessee, Texas and Washington. Amerigroup also provided services to the state of Ohio through June 30, 2013. We also serve customers throughout the country as HealthLink, UniCare and in certain Arizona, California, Nevada, New York and Virginia markets through our CareMore Health Group, Inc., or CareMore, subsidiary. We are licensed to conduct insurance operations in all 50 states through our subsidiaries. We also sell contact lenses, eyeglasses and other ocular products through our 1-800 CONTACTS, Inc., or 1-800 CONTACTS, business.

Operating revenue for the three months ended June 30, 2013 was \$17,597.2, an increase of \$2,423.9, or 16.0%, from the three months ended June 30, 2012, reflecting higher premium revenue in our Government Business segment, partially offset by lower premium revenue in our Commercial and Specialty Business segment. The higher premium revenue in our Government Business segment primarily resulted from the acquisition of Amerigroup in December 2012 and was partially offset by lower revenues in our Medicare Advantage business primarily due to the transition toward health maintenance organization, or HMO, product offerings. The premium revenue decrease in our Commercial and Specialty Business segment was driven primarily by fully-insured membership declines in our Local Group business resulting from strategic product portfolio changes in certain states, competitive pressure in certain markets and, we believe, affordability challenges affecting healthcare consumers in general. This decrease was partially offset by premium rate increases in our Local Group and Individual businesses designed to cover overall cost trends.

Operating revenue for the six months ended June 30, 2013 was \$35,143.5, an increase of \$4,820.0, or 15.9%, from the six months ended June 30, 2012, reflecting higher premium revenue in our Government Business segment, partially offset by lower premium revenue in our Commercial and Specialty Business segment. The higher premium revenue in our Government Business segment primarily resulted from the acquisition of Amerigroup in December 2012 and growth in our FEP business resulting from both increases in membership and premium rate increases designed to cover overall cost trends, partially offset by lower revenues in our Medicare Advantage and Medicare Part D businesses primarily due to the transition toward HMO product offerings. The premium revenue decrease in our Commercial and Specialty Business segment was driven primarily by fully-insured membership declines in our Local Group business resulting from strategic product portfolio changes in certain states, competitive pressure in certain markets and, we believe, affordability challenges affecting healthcare consumers in general. This decrease was partially offset by premium rate increases in our Local Group and Individual businesses designed to cover overall cost trends.

Net income for the three months ended June 30, 2013 was \$800.1, an increase of \$156.5, or 24.3%, from the three months ended June 30, 2012. This increase in net income was primarily driven by higher operating results in both our Government Business and Commercial and Specialty Business segments, partially offset by an increase in interest expense resulting from higher outstanding debt balances associated with our acquisition of Amerigroup. Our fully-diluted earnings per share, or EPS, was \$2.64 for the three months ended June 30, 2013, which represented a 36.1% increase over the EPS of \$1.94 for the three months ended June 30, 2012. The increase in EPS resulted primarily from the increase in net income and the lower number of shares outstanding in 2013 due to share buyback activity under our share repurchase program.

Net income for the six months ended June 30, 2013 was \$1,685.3, an increase of \$185.2, or 12.3%, from the six months ended June 30, 2012. This increase in net income was primarily driven by higher operating results in both our Government Business and Commercial and Specialty Business segments, partially offset by a decrease in net realized gains on investments and an increase in interest expense resulting from higher outstanding debt

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balances associated with our acquisition of Amerigroup. Our fully-diluted EPS was \$5.53 for the six months ended June 30, 2013, which represented a 23.4% increase over the EPS of \$4.48 for the six months ended June 30, 2012. The increase in EPS resulted primarily from the increase in net income and the lower number of shares outstanding in 2013 due to share buyback activity under our share repurchase program.

Our results of operations discussed throughout this MD&A are determined in accordance with U.S. generally accepted accounting principles, or GAAP. We also calculate adjusted net income, adjusted EPS and operating gain, which are non-GAAP measures, to further aid investors in understanding and analyzing our core operating results and comparing them among periods. Adjusted net income and adjusted EPS exclude realized gains and losses on investments, other-than-temporary losses on investments recognized in income and certain other items, if applicable, that we do not consider a part of our core operating results. Operating gain is calculated as total operating revenue less benefit expense, selling, general and administrative expense and cost of products. We use these measures as a basis for evaluating segment performance, allocating resources, setting incentive compensation targets and for forecasting future operating periods. This information is not intended to be considered in isolation or as a substitute for income before income tax expense, net income or diluted EPS prepared in accordance with GAAP, and may not be comparable to similarly titled measures reported by other companies. For additional details on operating gain, see our “Reportable Segments Results of Operations” discussion within this MD&A.

The table below reconciles net income and EPS calculated in accordance with GAAP to adjusted net income and adjusted EPS for the three months ended June 30, 2013 and 2012.

| | Three Months Ended June 30 | | Change | % Change |
|---|-------------------------------|-----------------|-----------------|--------------|
| | 2013 | 2012 | | |
| Net income | \$ 800.1 | \$ 643.6 | \$ 156.5 | 24.3% |
| Less (net of tax): | | | | |
| Net realized gains on investments | 35.3 | 45.8 | (10.5) | |
| Other-than-temporary impairment losses on investments | (5.9) | (3.8) | (2.1) | |
| Acquisition and integration related costs | (16.3) | (5.8) | (10.5) | |
| Litigation related costs | — | (34.0) | 34.0 | |
| Tax impact of non-deductible litigation related costs | — | (32.8) | 32.8 | |
| Adjusted net income | \$ 787.0 | \$ 674.2 | \$ 112.8 | 16.7% |
| EPS | \$ 2.64 | \$ 1.94 | \$ 0.70 | 36.1% |
| Less (net of tax): | | | | |
| Net realized gains on investments | 0.12 | 0.14 | (0.02) | |
| Other-than-temporary impairment losses on investments | (0.02) | (0.02) | — | |
| Acquisition and integration related costs | (0.05) | (0.02) | (0.03) | |
| Litigation related costs | — | (0.10) | 0.10 | |
| Tax impact of non-deductible litigation related costs | — | (0.10) | 0.10 | |
| Per share rounding impact | (0.01) | — | (0.01) | |
| Adjusted EPS | \$ 2.60 | \$ 2.04 | \$ 0.56 | 27.5% |

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The table below reconciles net income and EPS calculated in accordance with GAAP to adjusted net income and adjusted EPS for the six months ended June 30, 2013 and 2012.

| | Six Months Ended June 30 | | Change | % Change |
|---|-----------------------------|-------------------|-----------------|--------------|
| | 2013 | 2012 | | |
| Net income | \$ 1,685.3 | \$ 1,500.1 | \$ 185.2 | 12.3% |
| Less (net of tax): | | | | |
| Net realized gains on investments | 46.2 | 115.3 | (69.1) | |
| Other-than-temporary impairment losses on investments | (30.5) | (10.9) | (19.6) | |
| Acquisition and integration related costs | (16.3) | (7.2) | (9.1) | |
| Litigation related costs | — | (24.0) | 24.0 | |
| Tax impact of non-deductible litigation related costs | — | (41.4) | 41.4 | |
| Adjusted net income | \$ 1,685.9 | \$ 1,468.3 | \$ 217.6 | 14.8% |
| EPS | \$ 5.53 | \$ 4.48 | \$ 1.05 | 23.4% |
| Less (net of tax): | | | | |
| Net realized gains on investments | 0.15 | 0.34 | (0.19) | |
| Other-than-temporary impairment losses on investments | (0.10) | (0.03) | (0.07) | |
| Acquisition and integration related costs | (0.05) | (0.02) | (0.03) | |
| Litigation related costs | — | (0.07) | 0.07 | |
| Tax impact of non-deductible litigation related costs | — | (0.12) | 0.12 | |
| Per share rounding impact | (0.01) | — | (0.01) | |
| Adjusted EPS | \$ 5.54 | \$ 4.38 | \$ 1.16 | 26.5% |

Operating cash flow for the six months ended June 30, 2013 was \$1,382.1, or 0.8 times net income. Operating cash flow for the six months ended June 30, 2012 was \$1,744.6. The decrease in operating cash flow from 2012 of \$362.5 was driven primarily by the early receipt of premiums in the second quarter of 2012 related to government contracts and the delay in receipt of certain Medicaid revenues in 2013, partially offset by higher net income and an increase in the collection of income tax refunds in 2013.

Sources and Uses of Capital

We regularly review the appropriate use of capital, including common stock repurchases and dividends to shareholders. The declaration and payment of any dividends or repurchases of our common stock are at the discretion of our Board of Directors and depends upon our financial condition, results of operations, future liquidity needs, regulatory and capital requirements and other factors deemed relevant by our Board of Directors.

For additional information regarding our use of capital during the three and six months ended June 30, 2013, see Note 8, “Debt,” and the “Use of Capital – Dividends and Stock Repurchase Program” section of Note 10, “Capital Stock,” to our unaudited consolidated financial statements included in Part I, Item 1 of this Form 10-Q.

Membership

Our medical membership includes seven different customer types: Local Group, Individual, National Accounts, BlueCard ®, Medicare, Medicaid and FEP. BCBS-branded business generally refers to members in our service areas licensed by the BCBSA. Non-BCBS-branded business refers to Amerigroup and CareMore members as well as HealthLink and UniCare members. For a more detailed description of our medical membership, see the “Membership” section of Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in our 2012 Annual Report on Form 10-K.

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The following table presents our medical membership by customer type, funding arrangement and reportable segment as of June 30, 2013 and 2012. Also included below is other membership by product. The medical membership and other membership information presented is unaudited and in certain instances includes estimates of the number of members represented by each contract at the end of the period.

| | June 30 | | | |
|---|---------|--------|--------|----------|
| | 2013 | 2012 | Change | % Change |
| (In thousands) | | | | |
| <u>Medical Membership</u> | | | | |
| Customer Type | | | | |
| Local Group | 14,454 | 14,612 | (158) | (1.1)% |
| Individual | 1,815 | 1,856 | (41) | (2.2) |
| National: | | | | |
| National Accounts | 6,886 | 7,098 | (212) | (3.0) |
| BlueCard® | 5,057 | 5,061 | (4) | (0.1) |
| Total National | 11,943 | 12,159 | (216) | (1.8) |
| Medicare | 1,467 | 1,516 | (49) | (3.2) |
| Medicaid | 4,451 | 1,888 | 2,563 | 135.8 |
| FEP | 1,536 | 1,516 | 20 | 1.3 |
| Total Medical Membership by Customer Type | 35,666 | 33,547 | 2,119 | 6.3 |
| Funding Arrangement | | | | |
| Self-Funded | 20,123 | 20,177 | (54) | (0.3) |
| Fully-Insured | 15,543 | 13,370 | 2,173 | 16.3 |
| Total Medical Membership by Funding Arrangement | 35,666 | 33,547 | 2,119 | 6.3 |
| Reportable Segment | | | | |
| Commercial and Specialty Business | 28,212 | 28,627 | (415) | (1.4) |
| Government Business | 7,454 | 4,920 | 2,534 | 51.5 |
| Total Medical Membership by Reportable Segment | 35,666 | 33,547 | 2,119 | 6.3 |
| <u>Other Membership & Customers</u> | | | | |
| Behavioral Health Members | 24,253 | 24,635 | (382) | (1.6) |
| Life and Disability Members | 4,736 | 4,865 | (129) | (2.7) |
| Dental Members | 4,917 | 4,900 | 17 | 0.3 |
| Dental Administration Members | 4,898 | 4,119 | 779 | 18.9 |
| Vision Members | 4,654 | 4,333 | 321 | 7.4 |
| Medicare Advantage Part D Members | 614 | 666 | (52) | (7.8) |
| Medicare Part D Standalone Members | 480 | 583 | (103) | (17.7) |
| Retail Vision Customers | 3,120 | 3,090 | 30 | 1.0 |

Medical Membership (in thousands)

For the rolling twelve months ended June 30, 2013, total medical membership increased 2,119, or 6.3%, primarily due to Medicaid membership acquired with the acquisition of Amerigroup, partially offset by decreases in our National Accounts, Local Group, Medicare and Individual membership.

Self-funded medical membership decreased 54, or 0.3%, primarily due to pricing increases in our National Accounts business.

Fully-insured membership increased 2,173, or 16.3%, primarily due to Medicaid membership acquired with the acquisition of Amerigroup, partially offset by membership losses in certain Local Group and Individual markets, as well as membership losses in our Medicare business, described below.

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Local Group membership decreased 158, or 1.1%, primarily due to strategic product portfolio changes in certain states, competitive pressure in certain markets and, we believe, affordability challenges affecting healthcare consumers in general.

Individual membership decreased 41, or 2.2%, primarily due to a heightened competitive environment in certain markets.

National Accounts membership decreased 212, or 3.0%, primarily driven by pricing increases in our self-funded National Accounts business.

BlueCard membership decreased 4, or 0.1%.

Medicare membership decreased 49, or 3.2%, primarily due to the transition toward HMO product offerings in our Medicare Advantage business.

Medicaid membership increased 2,563, or 135.8%, primarily due to membership acquired with the acquisition of Amerigroup.

FEP membership increased 20, or 1.3%, primarily due to favorable in-group change.

Other Membership (in thousands)

Our Other products are often ancillary to our health business, and can therefore be impacted by corresponding changes in our medical membership.

Behavioral health membership decreased 382, or 1.6%, primarily due to the overall declines in our medical membership and negative in-group change.

Life and disability membership decreased 129, or 2.7%, primarily due to the overall declines in our Commercial and Specialty Business medical membership. Life and disability products are generally offered as part of Commercial and Specialty Business medical membership sales.

Dental membership increased 17, or 0.3%, primarily due to growth from the launch of new product offerings, partially offset by declines in our Commercial and Specialty Business membership.

Dental administration membership increased 779, or 18.9%, primarily due to the acquisition of a large managed dental contract pursuant to which we provide dental administrative services.

Vision membership increased 321, or 7.4%, primarily due to strong sales and in-group change in our Local Group, National Accounts and Individual businesses.

Medicare Advantage Part D membership decreased 52, or 7.8%, primarily due to the transition toward HMO product offerings.

Medicare Part D standalone membership decreased 103, or 17.7%, primarily due to competitive pressure in certain markets.

Retail vision customers increased 30, or 1.0%, primarily due to increased sales as a result of our continued marketing efforts.

Cost of Care

The following discussion summarizes our aggregate underlying cost of care trends for the rolling 12 months ended June 30, 2013 for our Local Group fully-insured business only.

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Our cost of care trends are calculated by comparing the year-over-year change in average per member per month claim costs, including member co-payments and deductibles. While our cost of care trend varies by geographic location, based on underlying medical cost trends, we believe that a 2013 cost of care trend estimate of 6.5% plus or minus 50 basis points is appropriate.

Overall, our medical cost trend is driven by unit cost. Inpatient hospital trend is in the mid-single digit range and is primarily related to increases in the average cost per admission. Provider rate increases are a primary driver of unit cost trends and we continually negotiate with hospitals to manage these cost trends. We remain committed to optimizing our reimbursement rates and strategies to help address the cost pressures faced by employers and consumers. Both inpatient admission counts per thousand members and inpatient day counts per thousand members are slightly higher than prior year. The average length of stay is slightly lower than prior year. In addition to our re-contracting efforts, a number of clinical management initiatives are in place to help mitigate the inpatient trend. Focused review efforts continue in key areas, including inpatient behavioral health stays and spinal surgery cases, among others. Additionally, we continue to refine our programs related to readmission management, focused utilization management at high cost facilities, and post-discharge follow-up care.

Outpatient trend is in the mid-single digit range and is 80% cost driven and 20% utilization driven. Outpatient costs are a collection of different types of expenses, such as outpatient facilities, labs, x-rays, emergency room, and occupational and physical therapy. Per visit costs are still the largest contributor to overall outpatient trend, influenced largely by price increases within certain provider contracts. Outpatient utilization (visits per thousand members) is higher than the prior year. We continue to work with vendors and providers to help optimize site of service decisions, including key areas such as emergency room, lab, radiology, sleep studies, and surgery settings. As an example, we have launched a Sleep Management Program through our American Imaging Management subsidiary in west, central and north-east states. The program aligns the diagnosis and treatment of sleep apnea with clinical guidelines based on widely accepted medical literature, while at the same time enhancing member access to high value providers and ensuring treatment compliance for the continuing payment for equipment rental and ongoing supplies. Programs like this, along with continued expansion and optimization of our utilization management programs, are serving to moderate trend.

Physician services trend is in the mid-single digit range and is 80% unit cost related and 20% utilization related. Increases in the physician care category are partially driven by contracting changes. We continue to collaborate with physicians to improve quality of care through pay-for-performance programs and bundled payment initiatives. Additionally, we continue to enhance our ability to detect and deter fraud and abuse, reducing waste in the system.

Pharmacy trend is in the low-single digit range and is 50% unit cost related and 50% utilization related. Continued inflation in the average wholesale price of drugs is applying upward pressure to the overall cost per prescription, as is the increasing cost of specialty drugs. The increase in cost per prescription measures continues to be mitigated by improvements in our generic usage rates and benefit plan design changes. We are continuously evaluating our drug formulary to ensure the most effective pharmaceutical therapies are available to our members.

In response to cost trends, we continue to pursue contracting and plan design changes, promote and implement performance-based contracts that reward clinical outcomes and quality, and expand our radiology management, disease management and advanced care management programs. We believe we are taking a leading role in the area of payment reform as evidenced by the introduction of the Patient Centered Primary Care program. By establishing the primary care doctor as central to the coordination of a patient's health care needs, the initiative builds on the success of current patient-centered medical home programs in helping to improve patient care while lowering costs. Additionally, our value-based contracting initiative continues to underscore our commitment to partnering with providers to improve quality and lower cost.

Consolidated Results of Operations

Our consolidated summarized results of operations for the three and six months ended June 30, 2013 and 2012 are as follows:

| | Three Months Ended | | Six Months Ended | | Change | | Change | |
|--|--------------------|-----------------|-------------------|-------------------|--------------------|----------------------|------------------|---------------------|
| | June 30 | | June 30 | | Three Months Ended | | Six Months Ended | |
| | 2013 | 2012 | 2013 | 2012 | 2013 vs. 2012 | | 2013 vs. 2012 | |
| | \$ | | \$ | | \$ | % | \$ | % |
| Total operating revenue | \$ 17,597.2 | \$ 15,173.3 | \$ 35,143.5 | \$ 30,323.5 | \$ 2,423.9 | 16.0% | \$ 4,820.0 | 15.9% |
| Net investment income | 153.2 | 169.4 | 315.2 | 338.4 | (16.2) | (9.6) | (23.2) | (6.9) |
| Net realized gains on investments | 54.2 | 70.5 | 71.0 | 177.4 | (16.3) | (23.1) | (106.4) | (60.0) |
| Other-than-temporary impairment losses on investments | (9.0) | (5.9) | (46.9) | (16.8) | (3.1) | 52.5 | (30.1) | 179.2 |
| Total revenues | 17,795.6 | 15,407.3 | 35,482.8 | 30,822.5 | 2,388.3 | 15.5 | 4,660.3 | 15.1 |
| Benefit expense | 13,832.6 | 12,093.1 | 27,581.3 | 23,865.0 | 1,739.5 | 14.4 | 3,716.3 | 15.6 |
| Selling, general and administrative expense | 2,470.5 | 2,081.8 | 4,835.5 | 4,247.5 | 388.7 | 18.7 | 588.0 | 13.8 |
| Cost of products | 62.4 | 6.7 | 127.4 | 6.7 | 55.7 | 831.3 | 120.7 | 1,801.5 |
| Other expense ¹ | 219.6 | 177.1 | 441.0 | 344.9 | 42.5 | 24.0 | 96.1 | 27.9 |
| Total expenses | 16,585.1 | 14,358.7 | 32,985.2 | 28,464.1 | 2,226.4 | 15.5 | 4,521.1 | 15.9 |
| Income before income tax expense | 1,210.5 | 1,048.6 | 2,497.6 | 2,358.4 | 161.9 | 15.4 | 139.2 | 5.9 |
| Income tax expense | 410.4 | 405.0 | 812.3 | 858.3 | 5.4 | 1.3 | (46.0) | (5.4) |
| Net income | \$ 800.1 | \$ 643.6 | \$ 1,685.3 | \$ 1,500.1 | \$ 156.5 | 24.3 | \$ 185.2 | 12.3 |
| Average diluted shares outstanding | 303.2 | 331.2 | 304.5 | 335.1 | (28.0) | (8.5)% | (30.6) | (9.1)% |
| Diluted net income per share | \$ 2.64 | \$ 1.94 | \$ 5.53 | \$ 4.48 | \$ 0.70 | 36.1% | 1.05 | 23.4% |
| Benefit expense ratio ² | 83.9% | 85.4% | 83.8% | 84.3% | | (150)bp ³ | | (50)bp ³ |
| Selling, general and administrative expense ratio ⁴ | 14.0% | 13.7% | 13.8% | 14.0% | | 30bp ³ | | (20)bp ³ |
| Income before income taxes as a percentage of total revenue | 6.8% | 6.8% | 7.0% | 7.7% | | 0bp ³ | | (70)bp ³ |
| Net income as a percentage of total revenue | 4.5% | 4.2% | 4.7% | 4.9% | | 30bp ³ | | (20)bp ³ |

Certain of the following definitions are also applicable to all other results of operations tables in this discussion:

¹ Includes interest expense and amortization of other intangible assets.

² Benefit expense ratio = Benefit expense ÷ Premiums. Premiums for the three months ended June 30, 2013 and 2012 were \$16,493.0 and \$14,161.0, respectively. Premiums for the six months ended June 30, 2013 and 2012 were \$32,928.6 and \$28,299.5, respectively. Premiums are included in total operating revenue presented above.

³ bp = basis point; one hundred basis points = 1%.

⁴ Selling, general and administrative expense ratio = Selling, general and administrative expense ÷ Total operating revenue.

Three Months Ended June 30, 2013 Compared to the Three Months Ended June 30, 2012

Total operating revenue increased \$2,423.9, or 16.0%, to \$17,597.2 in 2013, resulting primarily from higher premiums and, to a lesser extent, increased other revenue. The higher premiums were mainly due to increases in our Medicaid business primarily as a result of our acquisition of Amerigroup in December 2012. Premium rate increases in our Local Group business designed to cover overall cost trends also contributed to the increased premium revenue. In addition, other revenues generated by 1-800 CONTACTS resulted in an increase over the prior year period. These increases were partially offset by fully-insured membership declines in our Local Group business due to strategic portfolio changes in certain states, competitive pressure in certain markets and, we believe, affordability challenges affecting healthcare consumers in general. Additionally, lower revenues in our Medicare Advantage business due to membership declines partially offset the increased operating revenues.

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Net investment income decreased \$16.2, or 9.6%, to \$153.2 in 2013, primarily due to lower investment yields.

Net realized gains on investments decreased \$16.3, or 23.1%, to \$54.2 in 2013, primarily due to lower net realized gains resulting from sales of fixed maturity securities partially offset by an increase in net realized gains resulting from sales and settlements of derivative financial instruments.

Benefit expense increased \$1,739.5, or 14.4%, to \$13,832.6 in 2013, primarily from our acquisition of Amerigroup and increased benefit cost trends in our Local Group businesses. These increases were partially offset by the fully-insured membership declines in our Local Group business as described above and declines in our Medicare Advantage membership.

Our benefit expense ratio decreased 150 basis points to 83.9% in 2013, primarily due to the favorable impact of lower than anticipated medical costs in the Commercial and Specialty Business segment, retroactive rate activity in our Medicaid business, primarily in the California market, and favorable reserve development in our Medicaid business. These improvements were partially offset by the acquisition of Amerigroup which carries a higher average benefit expense ratio than our consolidated average.

Selling, general and administrative expense increased \$388.7, or 18.7%, to \$2,470.5 in 2013, primarily due to the inclusion of selling, general and administrative expense related to our Amerigroup and 1-800 CONTACT subsidiaries in 2013. The increase was further attributable to project costs incurred in preparation for the implementation of health care reform effective in 2014 as well as increases in incentive compensation accruals as a result of our operating performance.

Our selling, general and administrative expense ratio increased 30 basis points to 14.0% in 2013, primarily due to the increased selling, general and administrative expense discussed in the preceding paragraph, partially offset by the effect of the increase in operating revenue.

Cost of products increased \$55.7 due to the acquisition of 1-800-CONTACTS on June 20, 2012.

Other expense increased \$42.5, or 24.0%, to \$219.6, primarily due to increased interest expense resulting from higher outstanding debt balances associated with our acquisition of Amerigroup. In addition, increased amortization of intangible assets acquired with the Amerigroup and 1-800 CONTACTS acquisitions also contributed to the increase in other expense.

Income tax expense increased \$5.4, or 1.3%, to \$410.4 in 2013. The effective tax rates in 2013 and 2012 were 33.9% and 38.6%, respectively. The increase in income tax expense was due to increased income before income tax expense, partially offset by the impact of a lower effective rate in 2013. The 2013 effective tax rate includes benefits resulting from the deductibility of certain executive compensation costs previously disallowed under health care reform legislation and from continuing decreases in our state apportionment factors calculation, which produces a lower effective state tax rate. The 2012 effective tax rate reflects the non-tax deductibility of litigation settlement expenses associated with the settlement of a class action lawsuit in June 2012.

Our net income as a percentage of total revenue increased 30 basis points to 4.5% in 2013 as compared to 2012 as a result of all factors discussed above.

Six Months Ended June 30, 2013 Compared to the Six Month Ended June 30, 2012

Total operating revenue increased \$4,820.0, or 15.9%, to \$35,143.5 in 2013, resulting primarily from higher premiums and, to a lesser extent, increased other revenue. The higher premiums were mainly due to increases in our Medicaid business primarily as a result of our acquisition of Amerigroup in December 2012. Premium rate increases in our Local Group business designed to cover overall cost trends also contributed to the increased premium revenue. In addition, other revenues generated by 1-800 CONTACTS resulted in an increase over the prior year period. These increases were partially offset by fully-insured membership declines in our Local Group

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business due to strategic portfolio changes in certain states, competitive pressure in certain markets and, we believe, affordability challenges affecting healthcare consumers in general. Additionally, lower revenues in our Medicare Advantage business due to membership declines partially offset the increased operating revenues.

Net investment income decreased \$23.2, or 6.9%, to \$315.2 in 2013, primarily due to lower investment yields.

Net realized gains on investments decreased \$106.4, or 60.0%, to \$71.0 in 2013, primarily due to lower net realized gains resulting from sales of fixed maturity securities.

Other-than-temporary impairment losses on investments increased \$30.1, or 179.2%, to \$46.9, primarily due to the impairment of certain joint venture investments.

Benefit expense increased \$3,716.3, or 15.6%, to \$27,581.3 in 2013, primarily from our acquisition of Amerigroup, increased benefit cost trends in our Local Group businesses and an increase in membership and benefit cost trends in our FEP business. These increases were partially offset by the fully-insured membership declines in our Local Group business as described above and declines in our Medicare Advantage membership.

Our benefit expense ratio decreased 50 basis points to 83.8% in 2013, primarily due to the favorable impact of declines in membership in our Local Group and Individual businesses in products with higher benefit costs.

Selling, general and administrative expense increased \$588.0, or 13.8%, to \$4,835.5 in 2013, primarily due to the inclusion of selling, general and administrative expense related to our Amerigroup and 1-800 CONTACT subsidiaries in 2013. The increase was further attributable to increases in incentive compensation accruals as a result of our operating performance as well as project costs incurred in preparation for the implementation of health care reform effective in 2014.

Our selling, general and administrative expense ratio decreased 20 basis points to 13.8% in 2013, primarily due to the inclusion of Amerigroup which has a lower selling, general and administrative expense ratio than our consolidated average and the increase in operating revenue, which outpaced the increase in selling, general and administrative expense.

Cost of products increased \$120.7 due to the acquisition of 1-800-CONTACTS on June 20, 2012.

Other expense increased \$96.1, or 27.9%, to \$441.0, primarily due to increased interest expense resulting from higher outstanding debt balances associated with our acquisition of Amerigroup. In addition, increased amortization of intangible assets acquired with the Amerigroup and 1-800 CONTACTS acquisitions also contributed to the increase in other expense.

Income tax expense decreased \$46.0, or 5.4%, to \$812.3 in 2013. The effective tax rates in 2013 and 2012 were 32.5% and 36.4%, respectively. The decrease in income tax expense was due to a lower effective rate in 2013, partially offset by increased income before income tax expense. The 2013 effective tax rate includes benefits resulting from the deductibility allowance of certain executive compensation cost previously disallowed under health care reform legislation and from the inclusion of Amerigroup in our state apportionment factors calculation, which produces a lower effective state tax rate. The 2012 effective tax rate reflects the non-tax deductibility of litigation settlement expenses associated with the settlement of a class action lawsuit in June 2012.

Our net income as a percentage of total revenue decreased 20 basis points to 4.7% in 2013 as compared to 2012 as a result of all factors discussed above.

Reportable Segments Results of Operations

We use operating gain to evaluate the performance of our reportable segments, which are Commercial and Specialty Business, Government Business and Other. Operating gain is calculated as total operating revenue less benefit expense, selling, general and administrative expense and cost of products. It does not include net investment

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income, net realized gains/losses on investments, other-than-temporary impairment losses recognized in income, interest expense, amortization of other intangible assets or income taxes, as these items are managed in a corporate shared service environment and are not the responsibility of operating segment management. For additional information, including reconciliation of non-GAAP financial measures, see Note 13, "Segment Information," to our unaudited consolidated financial statements included in Part I, Item 1 of this Form 10-Q. The discussions of segment results for the three and six months ended June 30, 2013 and 2012 presented below are based on operating gain, as described above, and operating margin, which is calculated as operating gain divided by operating revenue. Our definitions of operating gain and operating margin may not be comparable to similarly titled measures reported by other companies.

Our Commercial and Specialty Business, Government Business and Other segments' summarized results of operations for the three and six months ended June 30, 2013 and 2012 are as follows:

| | Three Months Ended June 30 | | Six Months Ended June 30 | | Change | | | |
|--|-------------------------------|------------|-----------------------------|-------------|-------------------------------|---------|-----------------------------|---------|
| | | | | | Three Months Ended June 30 | | Six Months Ended June 30 | |
| | 2013 | 2012 | 2013 | 2012 | 2013 vs. 2012 | | 2013 vs. 2012 | |
| | \$ | | \$ | | \$ | % | \$ | % |
| Commercial and Specialty Business | | | | | | | | |
| Operating revenue | \$ 9,757.1 | \$ 9,782.0 | \$ 19,569.6 | \$ 19,640.5 | \$ (24.9) | (0.3)% | \$ (70.9) | (0.4)% |
| Operating gain | \$ 939.4 | \$ 869.0 | \$ 2,181.7 | \$ 2,010.9 | \$ 70.4 | 8.1% | \$ 170.8 | 8.5% |
| Operating margin | 9.6% | 8.9% | 11.1% | 10.2% | NA ¹ | 70bp | NA ¹ | 90bp |
| Government Business | | | | | | | | |
| Operating revenue | \$ 7,834.9 | \$ 5,381.8 | \$ 15,562.4 | \$ 10,665.1 | \$ 2,453.1 | 45.6% | \$ 4,897.3 | 45.9% |
| Operating gain | \$ 298.4 | \$ 132.7 | \$ 431.1 | \$ 212.8 | \$ 165.7 | 124.9% | \$ 218.3 | 102.6% |
| Operating margin | 3.8% | 2.5% | 2.8% | 2.0% | NA ¹ | 130bp | NA ¹ | 80bp |
| Other² | | | | | | | | |
| Operating revenue | \$ 5.2 | \$ 9.5 | \$ 11.5 | 17.9 | \$ (4.3) | (45.3)% | \$ (6.4) | (35.8)% |
| Operating loss | \$ (6.1) | \$ (10.0) | \$ (13.5) | (19.4) | \$ 3.9 | (39.0)% | \$ 5.9 | (30.4)% |

¹ Not Applicable

² Not Material

Three Months Ended June 30, 2013 Compared to the Three Months Ended June 30, 2012

Commercial and Specialty Business

Operating revenue decreased \$24.9, or 0.3%, to \$9,757.1 in 2013, primarily due to fully-insured membership declines in our Local Group business resulting from strategic product portfolio changes in certain states, competitive pressure in certain markets and, we believe, affordability challenges affecting healthcare consumers in general. This decrease was partially offset by premium rate increases in our Local Group and Individual businesses designed to cover overall cost trends as well as revenues generated by 1-800 CONTACTS, which we acquired on June 20, 2012.

Operating gain increased \$70.4, or 8.1%, to \$939.4 in 2013, primarily due to improved results in our Local Group business resulting from lower than anticipated medical costs. Operating gain was partially offset by higher selling, general and administrative expenses primarily due to project costs incurred in preparation for the implementation of health care reform effective in 2014 as well as increases in incentive compensation accruals as a result of our operating performance.

The operating margin in 2013 was 9.6%, a 70 basis point increase from 2012, primarily due to the factors discussed in the preceding two paragraphs.

Government Business

Operating revenue increased \$2,453.1, or 45.6%, to \$7,834.9 in 2013, primarily due to the acquisition of Amerigroup, growth in our FEP business resulting from both increases in membership and premium rate increases designed to cover overall cost trends, increased premiums in our Medicaid business for retroactive rate changes and increased membership in our CareMore subsidiary. These increases were partially offset by membership declines in our non-CareMore Medicare Advantage and Medicare Part D businesses related to the transition toward HMO product offerings.

Operating gain increased \$165.7, or 124.9%, to \$298.4 in 2013, primarily due to the acquisition of Amerigroup, retroactive rate activity in our Medicaid business, primarily in California, and favorable reserve development in our Medicaid business, including Amerigroup.

The operating margin in 2013 was 3.8%, a 130 basis point increase from 2012, primarily due to the factors discussed in the preceding two paragraphs.

Six Months Ended June 30, 2013 Compared to the Six Month Ended June 30, 2012

Commercial and Specialty Business

Operating revenue decreased \$70.9, or 0.4%, to \$19,569.6 in 2013, primarily due to fully-insured membership declines in our Local Group business resulting from strategic product portfolio changes in certain states, competitive pressure in certain markets and, we believe, affordability challenges affecting healthcare consumers in general. This decrease was partially offset by premium rate increases in our Local Group and Individual businesses designed to cover overall cost trends as well as revenues generated by 1-800 CONTACTS, which we acquired on June 20, 2012.

Operating gain increased \$170.8, or 8.5%, to \$2,181.7 in 2013, primarily due to improved results in our Local Group business resulting from membership decreases in products with lower operating margins and improved results in our National business. Operating gain was partially offset by higher selling, general and administrative expenses primarily due to project costs incurred in preparation for the implementation of health care reform effective in 2014 as well as increases in incentive compensation accruals as a result of operating performance.

The operating margin in 2013 was 11.1%, a 90 basis point increase over 2012, primarily due to the factors discussed in the preceding two paragraphs.

Government Business

Operating revenue increased \$4,897.3, or 45.9%, to \$15,562.4 in 2013, primarily due to the acquisition of Amerigroup, growth in our FEP business resulting from both increases in membership and premium rate increases as a result of overall cost trends and increased membership in our CareMore subsidiary. These increases were partially offset by membership declines in our non-CareMore Medicare Advantage and Medicare Part D businesses related to the transition toward HMO product offerings.

Operating gain increased \$218.3, or 102.6%, to \$431.1 in 2013, primarily due to the acquisition of Amerigroup, increased premium in our Medicaid business for retroactive rate changes and favorable reserve development in our Medicaid business, including Amerigroup.

The operating margin in 2013 was 2.8%, an 80 basis point increase over 2012, primarily due to the factors discussed in the preceding two paragraphs.

Critical Accounting Policies and Estimates

We prepare our consolidated financial statements in conformity with GAAP. Application of GAAP requires management to make estimates and assumptions that affect the amounts reported in our consolidated financial

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statements and accompanying notes and within this MD&A. We consider some of our most important accounting policies that require estimates and management judgment to be those policies with respect to liabilities for medical claims payable, income taxes, goodwill and other intangible assets, investments and retirement benefits. Our accounting policies related to these items are discussed in our 2012 Annual Report on Form 10-K in Note 2, “Basis of Presentation and Significant Accounting Policies,” to our audited consolidated financial statements as of and for the year ended December 31, 2012, as well as in the “Critical Accounting Policies and Estimates” section of Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” As of June 30, 2013, our critical accounting policies and estimates have not changed from those described in our 2012 Annual Report on Form 10-K.

Medical Claims Payable

The most judgmental accounting estimate in our consolidated financial statements is our liability for medical claims payable. Our accounting policies related to medical claims payable are discussed in the references cited above, as well as in Note 12, “Medical Claims Payable,” to our audited consolidated financial statements as of and for the year ended December 31, 2012 included in our 2012 Annual Report on Form 10-K. Also as discussed above, as of June 30, 2013, our critical accounting policies and estimates related to medical claims payable have not changed from those described in our 2012 Annual Report on Form 10-K.

A reconciliation of the beginning and ending balance for medical claims payable for the six months ended June 30, 2013 and 2012 and for the years ended December 31, 2012, 2011 and 2010 is as follows:

| | Six Months Ended June 30 | | Years Ended December 31 | | |
|---|-----------------------------|------------|-------------------------|------------|------------|
| | 2013 | 2012 | 2012 | 2011 | 2010 |
| Gross medical claims payable, beginning of period | \$ 6,174.5 | \$ 5,489.0 | \$ 5,489.0 | \$ 4,852.4 | \$ 5,450.5 |
| Ceded medical claims payable, beginning of period | (27.2) | (16.4) | (16.4) | (32.9) | (29.9) |
| Net medical claims payable, beginning of period | 6,147.3 | 5,472.6 | 5,472.6 | 4,819.5 | 5,420.6 |
| Business combinations and purchase adjustments | — | — | 804.4 | 100.9 | — |
| Net incurred medical claims: | | | | | |
| Current year | 27,651.5 | 24,032.8 | 48,080.1 | 47,281.6 | 45,077.1 |
| Prior years redundancies | (532.2) | (482.0) | (513.6) | (209.7) | (718.0) |
| Total net incurred medical claims | 27,119.3 | 23,550.8 | 47,566.5 | 47,071.9 | 44,359.1 |
| Net payments attributable to: | | | | | |
| Current year medical claims | 21,909.8 | 19,057.5 | 42,832.4 | 41,999.0 | 40,387.8 |
| Prior years medical claims | 5,233.8 | 4,576.2 | 4,863.8 | 4,520.7 | 4,572.4 |
| Total net payments | 27,143.6 | 23,633.7 | 47,696.2 | 46,519.7 | 44,960.2 |
| Net medical claims payable, end of period | 6,123.0 | 5,389.7 | 6,147.3 | 5,472.6 | 4,819.5 |
| Ceded medical claims payable, end of period | 35.3 | 26.2 | 27.2 | 16.4 | 32.9 |
| Gross medical claims payable, end of period | \$ 6,158.3 | \$ 5,415.9 | \$ 6,174.5 | \$ 5,489.0 | \$ 4,852.4 |
| Current year medical claims paid as a percentage of current year net incurred medical claims | 79.2% | 79.3% | 89.1% | 88.8% | 89.6% |
| Prior year redundancies in the current period as a percentage of prior year net medical claims payable less prior year redundancies in the current period | 9.5% | 9.7% | 10.4% | 4.5% | 15.3% |
| Prior year redundancies in the current period as a percentage of prior year net incurred medical claims | 1.1% | 1.0% | 1.1% | 0.5% | 1.5% |

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The following table provides a summary of the two key assumptions having the most significant impact on our incurred but not paid liability estimates for the six months ended June 30, 2013 and 2012, which are the completion and trend factors. These two key assumptions can be influenced by utilization levels, unit costs, mix of business, benefit plan designs, provider reimbursement levels, processing system conversions and changes, claim inventory levels, claim processing patterns, claim submission patterns and operational changes resulting from business combinations.

| | Favorable Developments by Changes in Key Assumptions | |
|----------------------------|--|----------|
| | 2013 | 2012 |
| Assumed trend factors | \$ 408.3 | \$ 368.2 |
| Assumed completion factors | 123.9 | 113.8 |
| Total | \$ 532.2 | \$ 482.0 |

The favorable development recognized in 2013 resulted primarily from trend factors in late 2012 developing more favorably than originally expected. Favorable development in the completion factors resulting from operational improvements in the latter part of 2012 also contributed to the favorability. The favorable development recognized in 2012 resulted primarily from trend factors in late 2011 developing more favorably than originally expected. Favorable development in the completion factors resulting from operational improvements in the latter part of 2011 also contributed to the favorability.

The ratio of current year medical claims paid as a percent of current year net medical claims incurred was 89.1% for 2012, 88.8% for 2011 and 89.6% for 2010. Comparison of these ratios reflects a small level of fluctuation in claim processing speed that occurred over the course of the three-year period. The six month periods presented above show that as of June 30, 2013, 79.2% of current year net incurred medical claims had been paid in the period incurred, as compared to 79.3% for the same period in 2012.

We calculate the percentage of prior year redundancies in the current period as a percent of prior year net incurred claims payable less prior year redundancies in the current period in order to demonstrate the development of the prior year reserves. For the six month period ended June 30, 2013, this metric was 9.5%, largely driven by favorable trend factor development at the end of the year. For the six month period ended June 30, 2012, this metric was 9.7%, reflecting the acceleration of claim processing that occurred in late 2012 which had not been fully recognized in completion factor development and trend factors at the end of the year. This metric was 10.4%, 4.5% and 15.3% for the years ended December 31, 2012, 2011 and 2010, respectively.

We calculate the percentage of prior year redundancies in the current period as a percent of prior year net incurred medical claims to indicate the percentage of redundancy included in the preceding year calculation of current year net incurred medical claims. We believe this calculation supports the reasonableness of our prior year estimate of incurred medical claims and the level of consistency in our methodology. For the six months ended June 30, 2013, this metric was 1.1%, which was calculated using the redundancy of \$532.2 shown above. For the six months ended June 30, 2012, the comparable metric was 1.0%, which was calculated using the redundancy of \$482.0 and which represents an estimate based on paid medical claims activity from January 1, 2012 to June 30, 2012. This metric was 1.1% for full year 2012, 0.5% for full year 2011 and 1.5% for full year 2010, and demonstrates the previously mentioned lower level of redundancies in 2012, along with the generally consistent level of reserve conservatism.

New Accounting Pronouncements

In February 2013, the FASB issued Accounting Standards Update 2013-02, *Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income*, or ASU 2013-02. ASU 2013-02 amends certain portions of Accounting Standards Codification Topic 220, *Comprehensive Income*, or ASC 220, to improve reporting by requiring the presentation, in one place, of significant reclassifications out

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of accumulated other comprehensive income on the respective line items in net income if the amount being reclassified is required under GAAP to be reclassified in its entirety to net income. For other amounts that are not required to be reclassified in their entirety to net income in the same reporting period, cross-reference to other disclosures that provide additional detail about those amounts is required. The adoption of ASU 2013-02 in the first quarter of 2013 did not have an impact on our consolidated financial position, results of operations or cash flows. However, we have added certain disclosures related to the components and reclassification adjustments of accumulated other comprehensive income in Note 11, "Accumulated Other Comprehensive Income (Loss)" to our unaudited consolidated financial statements included in Part I, Item 1 of this Form 10-Q.

There were no other new accounting pronouncements issued or that became effective during the six months ended June 30, 2013 that had, or are expected to have, a material impact on our financial position, operating results or disclosures.

Liquidity and Capital Resources

Introduction

Our cash receipts result primarily from premiums, administrative fees, investment income, other revenue, proceeds from the sale or maturity of our investment securities, proceeds from borrowings, and proceeds from the exercise of stock options. Cash disbursements result mainly from claims payments, administrative expenses, taxes, purchases of investment securities, interest expense, payments on borrowings, acquisitions, capital expenditures, repurchases of our common stock and the payment of shareholder cash dividends. Cash outflows fluctuate with the amount and timing of settlement of these transactions. Any future decline in our profitability would likely have an unfavorable impact on our liquidity.

For a more detailed overview of our liquidity and capital resources management, see the "Introduction" section included in the "Liquidity and Capital Resources" section of Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our 2012 Annual Report on Form 10-K.

Liquidity

The table below outlines the change in cash and cash equivalents for the six months ended June 30, 2013 and 2012:

| | Six Months Ended June 30 | |
|---|-----------------------------|--------------------------|
| | 2013 | 2012 |
| Cash flows provided by (used in): | | |
| Operating activities | \$ 1,382.1 | \$ 1,744.6 |
| Investing activities | (2,063.4) | (1,967.2) |
| Financing activities | (455.2) | (25.2) |
| Effect of foreign exchange rates on cash and cash equivalents | (0.8) | (0.7) |
| Decrease in cash and cash equivalents | <u>\$ (1,137.3)</u> | <u>\$ (248.5)</u> |

During the six months ended June 30, 2013, net cash flow provided by operating activities was \$1,382.1, compared to \$1,744.6 for the six months ended June 30, 2012, a decrease of \$362.5. This decrease was driven primarily by the early receipt of premiums in the second quarter of 2012 related to government contracts and the delay in receipt of certain Medicaid revenues in 2013, partially offset by higher net income and an increase in the collection of income tax refunds in 2013.

Net cash flow used in investing activities was \$2,063.4 during the six months ended June 30, 2013, compared to \$1,967.2 for the six months ended June 30, 2012. The increase in cash flow used in investing activities of \$96.2 between the two periods primarily resulted from an increase in net purchases of investments

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and changes in securities lending collateral. These increases were partially offset by a decrease in cash used for the purchase of subsidiaries, as net cash used in investing activities for the six months ended June 30, 2012 included the purchase of 1-800 CONTACTS while there were no purchases of subsidiaries during the six months ended June 30, 2013.

Net cash flow used in financing activities was \$455.2 during the six months ended June 30, 2013, compared to \$25.2 for the six months ended June 30, 2012. The increase in cash flow used in financing activities of \$430.0 primarily resulted from a decrease in net proceeds from long-term borrowings, partially offset by a decrease in common stock repurchases, an increase in net proceeds from commercial paper borrowings and changes in bank overdrafts and securities lending payable.

Financial Condition

We maintained a strong financial condition and liquidity position, with consolidated cash, cash equivalents and investments, including long-term investments, of \$22,453.5 at June 30, 2013. Since December 31, 2012, total cash, cash equivalents and investments, including long-term investments, decreased by \$20.5 primarily due to common stock repurchases, changes in unrealized gains on investments, repayment of long-term debt, purchases of property and equipment and cash dividends paid to shareholders, partially offset by cash generated from operations, net proceeds from commercial paper borrowings, changes in bank overdrafts and proceeds from employee stock option exercises.

Many of our subsidiaries are subject to various government regulations that restrict the timing and amount of dividends and other distributions that may be paid to their respective parent companies. Certain accounting practices prescribed by insurance regulatory authorities, or statutory accounting practices, differ from GAAP. Changes that occur in statutory accounting practices, if any, could impact our subsidiaries' future dividend capacity. In addition, we have agreed to certain undertakings with regulatory authorities, including requirements to maintain certain capital levels in certain of our subsidiaries.

At June 30, 2013, we held \$1,784.4 of cash and cash equivalents and investments at the parent company, which are available for general corporate use, including investment in our businesses, acquisitions, potential future share repurchases and shareholder dividends and debt and interest payments.

We calculate our consolidated debt-to-capital ratio, a non-GAAP measure, which we believe assists investors and rating agencies in measuring our overall leverage and additional borrowing capacity. In addition, our bank covenants indicate a maximum debt-to-capital ratio that we cannot exceed. Our targeted range of debt-to-capital ratio is 25% to 35%. Our debt-to-capital ratio is calculated as the sum of debt divided by the sum of debt plus shareholders' equity. Our debt-to-capital ratio may not be comparable to similarly titled measures reported by other companies. Our consolidated debt-to-capital ratio was 37.7% and 38.6% as of June 30, 2013 and December 31, 2012, respectively. The higher than targeted consolidated debt-to-capital ratio at June 30, 2013 was primarily due to the increased debt we incurred to finance our acquisition of Amerigroup, and we expect in time to return to targeted levels.

Our senior debt is rated "A-" by Standard & Poor's, "BBB+" by Fitch, Inc., "Baa2" by Moody's Investor Service, Inc. and "bbb+" by AM Best Company, Inc. We intend to maintain our senior debt investment grade ratings. A significant downgrade in our debt ratings could adversely affect our borrowing capacity and costs.

Future Sources and Uses of Liquidity

We regularly review the appropriate use of capital, including common stock repurchases and dividends to shareholders. The declaration and payment of any dividends or repurchases of our common stock is at the discretion of our Board of Directors and depends upon our financial condition, results of operations, future liquidity needs, regulatory and capital requirements and other factors deemed relevant by our Board of Directors.

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For additional information regarding our sources and uses of capital at June 30, 2013, see Note 8, “Debt,” and the “Use of Capital—Dividends and Stock Repurchase Program” section of Note 10, “Capital Stock” to our unaudited consolidated financial statements included in Part I, Item 1 of this Form 10-Q.

For additional information regarding our future sources and uses of liquidity, see “Future Sources and Uses of Liquidity” included in the “Liquidity and Capital Resources” section of Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our 2012 Annual Report on Form 10-K.

Contractual Obligations and Commitments

We believe that funds from future operating cash flows, cash and investments and funds available under our credit agreement or from public or private financing sources will be sufficient for future operations and commitments, and for capital acquisitions and other strategic transactions.

For additional information regarding our estimated contractual obligations and commitments, see the “Other Contingencies” and “Contractual Obligations and Commitments” sections of Note 9, “Commitments and Contingencies,” to our unaudited consolidated financial statements included in Part I, Item 1 of this Form 10-Q. There have been no material changes to our Contractual Obligations and Commitments disclosure in our 2012 Annual Report on Form 10-K other than the early redemption on January 25, 2013 of the outstanding principal balance of Amerigroup’s \$475.0 of 7.500% senior unsecured notes due 2019. See Note 8, “Debt” to our unaudited consolidated financial statements included in Part I, Item 1 of this Form 10-Q.

Risk-Based Capital

Our regulated subsidiaries’ states of domicile have statutory risk-based capital, or RBC, requirements for health and other insurance companies and health maintenance organizations largely based on the National Association of Insurance Commissioners, or NAIC, RBC Model Act. These RBC requirements are intended to measure capital adequacy, taking into account the risk characteristics of an insurer’s investments and products. The NAIC sets forth the formula for calculating the RBC requirements, which are designed to take into account asset risks, insurance risks, interest rate risks and other relevant risks with respect to an individual insurance company’s business. In general, under this Act, an insurance company must submit a report of its RBC level to the state insurance department or insurance commissioner, as appropriate, at the end of each calendar year. Our regulated subsidiaries’ respective RBC levels as of December 31, 2012, which was the most recent date for which reporting was required, were in excess of all mandatory RBC thresholds. In addition to exceeding the RBC requirements, we are in compliance with the liquidity and capital requirements for a licensee of the BCBSA and with the tangible net worth requirements applicable to certain of our California subsidiaries.

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995

This document contains certain forward-looking information about us that is intended to be covered by the safe harbor for “forward-looking statements” provided by the Private Securities Litigation Reform Act of 1995. Forward-looking statements are statements that are not generally historical facts. Words such as “expect(s),” “feel(s),” “believe(s),” “will,” “may,” “anticipate(s),” “intend,” “estimate,” “project” and similar expressions are intended to identify forward-looking statements, which generally are not historical in nature. These statements include, but are not limited to, financial projections and estimates and their underlying assumptions; statements regarding plans, objectives and expectations with respect to future operations, products and services; and statements regarding future performance. Such statements are subject to certain risks and uncertainties, many of which are difficult to predict and generally beyond our control, that could cause actual results to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements. These risks and uncertainties include: those discussed and identified in our public filings with the U.S. Securities and Exchange Commission, or SEC; increased government participation in, or regulation or taxation of health benefits and managed care operations, including, but not limited to, the impact of the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010; trends in health care costs and utilization rates; our ability to secure sufficient premium rates including regulatory approval for and implementation of such rates; our ability to contract with providers consistent with past practice; our ability to integrate and achieve expected synergies and operating efficiencies in the AMERIGROUP Corporation acquisition within the expected timeframe or at all, as such integration may be more difficult, time consuming or costly than expected, revenues following the transaction may be lower than expected and operating costs, customer loss and business disruption, including, without limitation, difficulties in maintaining relationships with employees, customers, clients and suppliers, may be greater than expected following the transaction; competitor pricing below market trends of increasing costs; reduced enrollment, as well as a negative change in our health care product mix; risks and uncertainties regarding Medicare and Medicaid programs, including those related to non-compliance with the complex regulations imposed thereon and funding risks with respect to revenue received from participation therein; a downgrade in our financial strength ratings; litigation and investigations targeted at our industry and our ability to resolve litigation and investigations within estimates; medical malpractice or professional liability claims or other risks related to health care services provided by our subsidiaries; risks inherent in selling health care products in the consumer retail market; our ability to repurchase shares of our common stock and pay dividends on our common stock due to the adequacy of our cash flow and earnings and other considerations; non-compliance by any party with the Express Scripts, Inc. pharmacy benefit management services agreement, which could result in financial penalties, our inability to meet customer demands, and sanctions imposed by governmental entities, including the Centers for Medicare and Medicaid Services; events that result in negative publicity for us or the health benefits industry; failure to effectively maintain and modernize our information systems and e-business organization and to maintain good relationships with third party vendors for information system resources; events that may negatively affect our licenses with the Blue Cross and Blue Shield Association; possible impairment of the value of our intangible assets if future results do not adequately support goodwill and other intangible assets; intense competition to attract and retain employees; unauthorized disclosure of member sensitive or confidential information; changes in the economic and market conditions, as well as regulations that may negatively affect our investment portfolios and liquidity; possible restrictions in the payment of dividends by our subsidiaries and increases in required minimum levels of capital and the potential negative effect from our substantial amount of outstanding indebtedness; general risks associated with mergers and acquisitions; various laws and provisions in our governing documents that may prevent or discourage takeovers and business combinations; future public health epidemics and catastrophes; and general economic downturns. Readers are cautioned not to place undue reliance on these forward-looking statements that speak only as of the date hereof. Except to the extent otherwise required by federal securities law, we do not undertake any obligation to republish revised forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events. Readers are also urged to carefully review and consider the various disclosures in our SEC reports.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

For a detailed discussion of our market risks, refer to Item 7A, “Quantitative and Qualitative Disclosures about Market Risk,” included in our 2012 Annual Report on Form 10-K. There have been no material changes to any of these risks since December 31, 2012.

ITEM 4. CONTROLS AND PROCEDURES

We carried out an evaluation as of June 30, 2013, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective in timely alerting them to material information relating to us (including our consolidated subsidiaries) required to be disclosed in our reports under the Securities Exchange Act of 1934. In addition, based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective in ensuring that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures.

There have been no changes in our internal control over financial reporting that occurred during the three months ended June 30, 2013 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For information regarding legal proceedings at June 30, 2013, see the “Litigation” and “Other Contingencies” sections of Note 9, “Commitments and Contingencies” to our unaudited consolidated financial statements included in Part I, Item 1 of this Form 10-Q.

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors disclosed in our 2012 Annual Report on Form 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Issuer Purchases of Equity Securities

The following table presents information related to our repurchases of common stock for the periods indicated:

| <u>Period</u> | <u>Total Number of Shares Purchased¹</u> | <u>Average Price Paid per Share</u> | <u>Total Number of Shares Purchased as Part of Publicly Announced Programs²</u> | <u>Approximate Dollar Value of Shares that May Yet Be Purchased Under the Programs</u> |
|---|---|---|--|--|
| <i>(in millions, except share and per share data)</i> | | | | |
| April 1, 2013 to April 30, 2013 | 1,177,125 | \$68.37 | 1,176,900 | \$ 1,416.1 |
| May 1, 2013 to May 31, 2013 | 725,389 | 75.10 | 722,500 | 1,361.9 |
| June 1, 2013 to June 30, 2013 | 1,799,411 | 78.36 | 1,794,500 | 1,221.3 |
| | <u>3,701,925</u> | | <u>3,693,900</u> | |

¹ Total number of shares purchased includes 8,025 delivered to or withheld by us in connection with employee payroll tax withholding upon exercise or vesting of stock awards. Stock grants to employees and directors and stock issued for stock option plans and stock purchase plans in the consolidated statements of shareholders' equity are shown net of these shares purchased.

² Represents the number of shares repurchased through our repurchase program authorized by our Board of Directors. During the three months ended June 30, 2013, we repurchased 3,693,900 shares at a cost of \$275.3 under the program. Our Board of Directors' most recent authorized increase to our share repurchase program was \$5,000.0 on September 29, 2011.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibits: A list of exhibits required to be filed as part of this Form 10-Q is set forth in the Index to Exhibits, which immediately precedes such exhibits, and is incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

WELLPOINT, INC.

Registrant

Date: July 24, 2013

By: /S/ WAYNE S. DEVEYDT

Wayne S. DeVeydt

Executive Vice President and Chief Financial Officer

(Duly Authorized Officer and Principal Financial Officer)

Date: July 24, 2013

By: /S/ JOHN E. GALLINA

John E. Gallina

Senior Vice President, Controller, Chief Accounting Officer and Chief Risk Officer

(Principal Accounting Officer)

INDEX TO EXHIBITS

| <u>Exhibit Number</u> | <u>Exhibit</u> |
|---------------------------|---|
| 3.1 | Articles of Incorporation of the Company, as amended effective May 17, 2011, incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on May 20, 2011. |
| 3.2 | By-Laws of the Company, as amended effective September 12, 2012, incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed on September 14, 2012. |
| 4.1 | Upon the request of the Securities and Exchange Commission, the Company will furnish copies of any other instruments defining the rights of holders of long-term debt of the Company or its subsidiaries. |
| 10.1* | WellPoint, Inc. Board of Directors Compensation Program, as amended effective May 15, 2013. |
| 10.2* | Consulting Agreement between Lenox D. Baker, Jr. and WellPoint, Inc. dated May 8, 2013. |
| 10.3* | Second Amendment to Employment Agreement between WellPoint, Inc. and Richard C. Zoretic dated as of April 23, 2013, incorporated by reference to Exhibit 10.16(b) to the Company's Current Report on Form 8-K filed on April 23, 2013. |
| 31.1 | Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Exchange Act Rules, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2 | Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Exchange Act Rules, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1 | Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2 | Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101 | The following material from WellPoint, Inc.'s Quarterly Report on Form 10-Q, for the quarter ended June 30, 2013, formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Balance Sheets; (ii) the Consolidated Statements of Income; (iii) the Consolidated Statements of Comprehensive Income; (iv) the Consolidated Statements of Cash Flows; (v) the Consolidated Statements of Shareholders' Equity; and (vi) Notes to Consolidated Financial Statements. |

* Indicates management contracts or compensatory plans or arrangements.

WELLPOINT, INC.
BOARD OF DIRECTORS COMPENSATION PROGRAM
(AS AMENDED EFFECTIVE MAY 15, 2013)

Directors who are employed by WellPoint, Inc. or its subsidiaries do not receive compensation for serving as Directors. However, Directors who are not employees of WellPoint, Inc. or its subsidiaries are entitled to receive the following compensation:

CASH COMPENSATION—Retainers

Annual Board Retainer:

- \$85,000 for all Directors paid quarterly in advance (in four equal installments of \$21,250) on January 1, April 1, July 1 and October 1.

Annual Committee Retainer:

- \$15,000 for Audit Committee members paid quarterly in advance (in four equal installments of \$3,750) on January 1, April 1, July 1 and October 1.
- \$10,000 for the members of each other Committee of the Board of Directors paid quarterly in advance (in four equal installments of \$2,500) on January 1, April 1, July 1 and October 1.

Annual Retainer for Non-Executive Chair of Board:

- \$225,000 for the Non-Executive Chair of Board paid quarterly in advance (in four equal installments of \$56,250) on January 1, April 1, July 1 and October 1.

Annual Retainer for Committee Chairs:

- \$25,000 for the Chair of the Audit Committee of the Board of Directors paid quarterly in advance (in four equal installments of \$6,250) on January 1, April 1, July 1 and October 1.
- \$15,000 for the Chair of each other Committee of the Board of Directors paid quarterly in advance (in four equal installments of \$3,750) on January 1, April 1, July 1 and October 1.

If a Director is elected to the Board, appointed to a Committee or becomes the Non-Executive Chair of the Board or a Committee Chair on a date other than the first day of a calendar quarter, the retainers described above will be pro-rated based on days served in the applicable position.

STOCK COMPENSATION

Annual Full Value Share Grant:

Each Director will receive on the date of the WellPoint, Inc. annual meeting of shareholders, subject to the deferral described below, an annual grant of a number of shares equal in value to \$175,000 (the “Annual Full Value Share Grant”). The exact number of shares for each Annual Full Value Share Grant will be calculated using the following formula:

$$[\$175,000] \div [\text{the closing price of the WellPoint, Inc. common stock as reported on the New York Stock Exchange on the date of the annual meeting of shareholders}] = \text{Number of shares of the Annual Full Value Share Grant.}$$

Partial Value Share Grants:

Any Director who joins the Board of Directors after the date of the WellPoint, Inc. annual meeting of shareholders (the “Effective Date”) shall receive a pro-rated share grant (the “Partial Value Share Grant”) on the first business day of the month following the Effective Date (unless the Effective Date is on the first business day of a month, in which case, the grant shall be made on the Effective Date). The Partial Value Share Grant shall be subject to the deferral described below. The exact number of shares of the Partial Value Share Grant will be calculated using the following formula:

$$[\$175,000 \times (\text{the number of days from the Effective Date to the first annual meeting of shareholders after the Effective Date} \div 365)] \div \text{the closing price of the WellPoint, Inc. common stock as reported on the New York Stock Exchange on the first business day of the month following the Effective Date (unless the Effective Date is on the first business day of a month, in which case, the closing price on the Effective Date shall be used)} = \text{Number of shares of the Partial Value Share Grant.}$$

Deferral of Share Grants:

Share grants will be deferred for a minimum period of five years from the (1) grant date for Annual Full Value Share Grants and (2) the date of the annual meeting of shareholders that immediately precedes the Effective Date for Partial Value Share Grants (each a “Deferral Period”) in accordance with the terms of the Director Deferred Compensation Plan. Such grants shall not be distributed to the Directors until the earlier of the expiration of the Deferral Period or the date on which a Director ceases to be a member of the Board of Directors.

Director Ownership Guidelines:

Each Director shall have the obligation to own at least \$400,000 of WellPoint, Inc. common stock (including deferred shares and phantom stock, but not options) commencing on the fifth anniversary of the date such Director became a member of the Board of Directors.

MISCELLANEOUS**Annual Physical Exam:**

WellPoint, Inc. will pay the cost of an annual physical examination for each Director.

Expenses:

WellPoint, Inc. will reimburse each Director for all travel, lodging and other expenses incurred in connection with attendance at and/or participation in any and all Board of Directors and Committee meetings and related matters.

CONSULTING AGREEMENT

This Consulting Agreement ("Agreement"), dated and effective as of May 8, 2013, is made and entered into by and between Lenox D. Baker, Jr. M.D. ("Consultant"), and WellPoint, Inc., an Indiana corporation ("WellPoint").

WHEREAS, the Consultant and WellPoint mutually desire to enter into a relationship whereby Consultant will consult with, and provide consulting services to, WellPoint and its representatives on the terms and condition set forth herein; and

WHEREAS, Consultant is able to provide said services and desires to provide the same to WellPoint and its representatives on the terms and conditions set forth herein.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and in further consideration of the following mutual promises, covenants and undertakings, the parties agrees as follows:

1. Consulting Services. Unless terminated sooner pursuant to Section 5 of this Agreement, beginning on May 8, 2013, and continuing until May 7, 2015 (the "Term") Consultant shall consult with WellPoint and its representatives, and by mutual agreement provide WellPoint and its representatives the following services: advisory consulting services to WellPoint's CEO and Chief Medical Director, and their designees, in support of the advancement of the effort to improve the quality, safety, access and affordability of health care (the "Consulting Services"). Throughout the Term, Consultant shall devote such time and efforts as are reasonably required and requested for the performance of the Consulting Services. It is agreed and acknowledged that Consultant may from time to time provide services to other persons, firms and corporations, so long as such services do not interfere with Consultant's obligations under this Agreement.

2. Consulting Fee. Conditioned upon Consultant's compliance with the terms and conditions of this Agreement, WellPoint agrees to provide Consultant a Consulting Fee of \$70,000 per quarter for the Consulting Services he performs during the Term. The Consulting Fee shall be paid at the beginning of each quarter for the duration of the Term.

3. Confidential Information.

(a) As used herein, "Confidential Information" shall consist of all information, whether in written, oral, electronic or other form, furnished by WellPoint or its representatives (defined as director, officer, employee, agent, or advisor of WellPoint or any of WellPoint's subsidiaries or affiliates) to Consultant and specifically includes but is not limited to all business and financial information, marketing and strategic plans, customers, employees, suppliers, analysis, reports, technologies, processes and operations, compilations, forecasts, studies, lists, summaries, notes, data and all other documents and materials concerning WellPoint and its subsidiaries and affiliates, including all portions thereof.

(b) Consultant agrees to keep Confidential Information private and strictly confidential. Consultant shall take all responsible steps to safeguard and protect Confidential Information from any theft, loss, unauthorized access, unauthorized use or disclosure and accord it at least the same degree of confidential and proprietary treatment as he gives his own confidential and proprietary information, which shall be no less than a reasonable standard of care.

(c) Consultant acknowledges that he is aware that federal and many state securities laws prohibit any person or entity who has received from an issuer material, non-public information from purchasing or selling securities of such issuer or from communicating such information to any other person or entity under circumstances in which it is reasonably foreseeable that such person or entity is likely to purchase or sell such securities.

4. Nature of Relationship.

(a) It is expressly acknowledged and agreed by the parties hereto that Consultant is being retained by WellPoint in the capacity of independent contractor and not as an employee of WellPoint or its subsidiaries or affiliates. Consultant and WellPoint acknowledge and agree that this Agreement does not create a partnership, joint venture, agency or employer/employee relationship between them or their subsidiaries or affiliates for any purpose. Accordingly, WellPoint shall not supervise, control or direct the manner or means by which Consultant performs the Consulting Services and Consultant shall have no authority to act for or on behalf of WellPoint or to contractually bind WellPoint without WellPoint's express written consent. Consultant and WellPoint agree that Consultant shall not be entitled to participate in any employee benefit plans or arrangements or fringe benefit plans or programs or payroll practices maintained or contributed to by WellPoint or its subsidiaries or affiliates for their respective employees.

(b) Consultant shall be solely responsible for payment of, and shall indemnify and hold harmless WellPoint and its subsidiaries and affiliates from and against, all Federal, state and local taxes arising out of Consultant's performance of the Consulting Services, including by way of illustration but not limitation, Federal, state and local income taxes, Social Security taxes or social insurance obligations, withholding taxes and any other taxes or business license fees required by applicable law. WellPoint shall not carry workers' compensation insurance, general liability insurance or any health or accident insurance to cover Consultant.

(c) Consultant agrees to indemnify and hold harmless WellPoint and its subsidiaries and affiliates, and their respective employees, from and against any taxes, penalties, interest, liabilities, costs or expenses (including, without limitation, reasonable attorneys' fees and disbursements) incurred by WellPoint, or any such subsidiary, affiliate or employee, arising out of or related to: (i) Consultant's breach of this Agreement, including, without limitation, his obligations under Section 3(b) hereof; or (ii) any action or omission to act by Consultant in connection with the performance of the Consulting Services and Consultant's obligations under this Agreement.

5. Early Termination. This Agreement shall terminate prior to the end of the Consulting Term:

(a) upon the Consultant's death;

(b) if the Consultant becomes permanently disabled and unable to perform the Consulting Services;

(c) if the Consultant does not perform the Consulting Services; or

(d) if the Consultant willfully engages in conduct which is demonstrably and materially injurious or potentially injurious to WellPoint, monetarily or otherwise.

6. Governing Law. All matters relating to the interpretation, construction and enforcement of this Agreement shall be governed by the laws of the State of Indiana.

7. Entire Agreement. This Agreement contains the entire agreement between Consultant and WellPoint and shall supersede any and all other prior agreements, arrangements, or understandings, whether oral or written, regarding Consultant's consulting arrangement with WellPoint. WellPoint has made no promises to Consultant regarding Consultant's consulting arrangement other than as set forth in this Agreement.

8. Modification. This Agreement may not be modified, changed, extended or discharged orally, but only by an agreement that is in writing and executed by the party against whom enforcement of any change, modification, extension or discharge is sought. The waiver by either party of any breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach. No waiver shall be valid hereunder unless it is in writing and executed by the party granting the waiver.

9. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, this Consulting Agreement has been executed by Consultant and WellPoint as of the day and year first written above.

WELLPOINT, INC.

/s/ LENOX BAKER, JR.

Lenox D. Baker, Jr., M.D.

/s/ JOE SWEDISH

Joseph R. Swedish
CEO

**CERTIFICATION PURSUANT TO
RULE 13a-14(a) AND RULE 15d-14(a) OF THE EXCHANGE ACT RULES,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Joseph R. Swedish, certify that:

1. I have reviewed this report on Form 10-Q of WellPoint, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 24, 2013

/s/ JOSEPH R. SWEDISH

Chief Executive Officer

**CERTIFICATION PURSUANT TO
RULE 13a-14(a) AND RULE 15d-14(a) OF THE EXCHANGE ACT RULES,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Wayne S. DeVeydt, certify that:

1. I have reviewed this report on Form 10-Q of WellPoint, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 24, 2013

/s/ WAYNE S. DEVEYDT

Executive Vice President and
Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of WellPoint, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2013 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Joseph R. Swedish, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ JOSEPH R. SWEDISH

Joseph R. Swedish
Chief Executive Officer
July 24, 2013

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of WellPoint, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2013 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Wayne S. DeVeydt, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ WAYNE S. DEVEYDT

Wayne S. DeVeydt

Executive Vice President and Chief Financial Officer

July 24, 2013

State: Colorado **Filing Company:** HMO Colorado, Inc.
TOI/Sub-TOI: HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004E Small Group Only
- Other
Product Name: HMO Colorado Small Group Rate Filing Effective 1/1/2014
Project Name/Number: /

Note To Reviewer

Created By:

Zachary Winslow on 07/31/2013 04:00 PM

Last Edited By:

Zachary Winslow

Submitted On:

07/31/2013 04:11 PM

Subject:

Product Offering Update

Comments:

Anthem has reviewed the product portfolio that was originally submitted in this filing. Per guidance from the DOI, Anthem would like to remove the following plans (HIOS Plan IDs) from its product portfolio offered in 2014:

76680CO0240005
76680CO0240007
76680CO0240009
76680CO0240014
76680CO0240015
76680CO0240016
76680CO0240021
76680CO0240022
76680CO0240023
76680CO0240031

State: Colorado **Filing Company:** HMO Colorado, Inc.
TOI/Sub-TOI: HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004E Small Group Only
- Other
Product Name: HMO Colorado Small Group Rate Filing Effective 1/1/2014
Project Name/Number: /

Note To Reviewer

Created By:

Zachary Winslow on 07/26/2013 02:45 PM

Last Edited By:

Zachary Winslow

Submitted On:

07/26/2013 02:45 PM

Subject:

Product Offering Finalization

Comments:

Anthem is currently finalizing a list of products that may be removed from this filing. Please postpone closing this filing until Tuesday, 7/30/13, by which time all product updates will be made.

State: Colorado **Filing Company:** HMO Colorado, Inc.
TOI/Sub-TOI: HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004E Small Group Only
- Other
Product Name: HMO Colorado Small Group Rate Filing Effective 1/1/2014
Project Name/Number: /

Note To Filer

Created By:

Michael Muldoon on 06/19/2013 08:23 PM

Last Edited By:

Michael Muldoon

Submitted On:

06/19/2013 08:24 PM

Subject:

Response Date Moved Up to June 21st.

Comments:

I have moved up the requested response date for the objection submitted on June 19th to be June 21st.
You may contact Cathy Gilliland in the Colorado DORA office with any issues or questions regarding this filing.

State: Colorado **Filing Company:** HMO Colorado, Inc.
TOI/Sub-TOI: HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004E Small Group Only
 - Other
Product Name: HMO Colorado Small Group Rate Filing Effective 1/1/2014
Project Name/Number: /

Post Submission Update Request Processed On 06/04/2013

Status: Allowed
 Created By: Zachary Winslow
 Processed By: Cathy Gilliland
 Comments:

General Information:

| Field Name | Requested Change | Prior Value |
|-----------------------|----------------------|----------------------|
| Requested Filing Mode | File & Use | Review & Approval |
| Market Type | Group | Group |
| Group Market Type | Association Employer | Employer Association |

Company Rate Information:

Company Name:HMO Colorado, Inc.

| Field Name | Requested Change | Prior Value |
|---|------------------|-------------|
| Overall % Indicated Change | 0.000% | |
| Overall % Rate Impact | 0.000% | |
| Written Premium Change for this Program | \$0 | |
| # of Policy Holders Affected for this Program | 0 | |
| Written Premium for this Program | \$0 | |
| Maximum %Change (where required) | 0.000% | |
| Minimum %Change (where required) | 0.000% | |

REQUESTED RATE CHANGE INFORMATION:

| | | |
|----------------|-------|------|
| Member Months: | 61200 | 5100 |
|----------------|-------|------|

REQUESTED RATE:

| | | |
|----------------------------|----------------|---------------|
| Projected Earned Premium: | 23,482,419.000 | 1,956,870.000 |
| Projected Incurred Claims: | 18,902,823.000 | 1,575,237.000 |

| | |
|----------------------|---|
| HMO - Covered Lives | 0 |
| HMO - Policy Holders | 0 |

SERFF Tracking #:

AWLP-129016152

State Tracking #:

278046

Company Tracking #:

State:

Colorado

Filing Company:

HMO Colorado, Inc.

TOI/Sub-TOI:

HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004E Small Group Only - Other

Product Name:

HMO Colorado Small Group Rate Filing Effective 1/1/2014

Project Name/Number:

/

Form Schedule

Lead Form Number:

| Item No. | Schedule Item Status | Form Name | Form Number | Form Type | Form Action | Action Specific Data | Readability Score | Attachments |
|----------|----------------------|---|---|-----------|-------------|----------------------|-------------------|-------------|
| 1 | | Anthem Bronze Direct Access Plus gkqa | EOC_ENG_HMOCOLORADO_76680C00230003_20140101 | CER | Initial | | | |
| 2 | | Anthem Silver Direct Access Plus ghqa | EOC_ENG_HMOCOLORADO_76680C00230001_20140101 | CER | Initial | | | |
| 3 | | Anthem Gold Direct Access Plus gmpa | EOC_ENG_HMOCOLORADO_76680C00230002_20140101 | CER | Initial | | | |
| 4 | | Anthem Core Guided Access Plus w/ Dental gjqa | EOC_ENG_HMOCOLORADO_76680C00240027_20140101 | CER | Initial | | | |
| 5 | | Anthem Core Guided Access Plus gjqa | EOC_ENG_HMOCOLORADO_76680C00240029_20140101 | CER | Initial | | | |

SERFF Tracking #:

AWLP-129016152

State Tracking #:

278046

Company Tracking #:

State: Colorado

Filing Company: HMO Colorado, Inc.

TOI/Sub-TOI: HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004E Small Group Only - Other

Product Name: HMO Colorado Small Group Rate Filing Effective 1/1/2014

Project Name/Number: /

Lead Form Number:

| Item No. | Schedule Item Status | Form Name | Form Number | Form Type | Form Action | Action Specific Data | Readability Score | Attachments |
|----------|----------------------|---|---|-----------|-------------|----------------------|-------------------|-------------|
| 6 | | Anthem Core Guided Access Plus w/ Dental gjqa | EOC_ENG_HMOCOLORADO_76680C00240028_20140101 | CER | Initial | | | |
| 7 | | Anthem Essential Direct Access Plus gzca | EOC_ENG_HMOCOLORADO_76680C00240018_20140101 | CER | Initial | | | |
| 8 | | Anthem Essential Direct Access Plus gpda | EOC_ENG_HMOCOLORADO_76680C00240022_20140101 | CER | Initial | | | |
| 9 | | Anthem Essential Direct Access gzia | EOC_ENG_HMOCOLORADO_76680C00240025_20140101 | CER | Initial | | | |
| 10 | | Anthem Essential Direct Access ggja | EOC_ENG_HMOCOLORADO_76680C00240026_20140101 | CER | Initial | | | |

SERFF Tracking #:

AWLP-129016152

State Tracking #:

278046

Company Tracking #:

State:

Colorado

Filing Company:

HMO Colorado, Inc.

TOI/Sub-TOI:

HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004E Small Group Only - Other

Product Name:

HMO Colorado Small Group Rate Filing Effective 1/1/2014

Project Name/Number:

/

Lead Form Number:

| Item No. | Schedule Item Status | Form Name | Form Number | Form Type | Form Action | Action Specific Data | Readability Score | Attachments |
|----------|----------------------|--|---|-----------|-------------|----------------------|-------------------|-------------|
| 11 | | Anthem Essential Guided Access Plus gcda | EOC_ENG_HMOCOLORADO_76680C00240008_20140101 | CER | Initial | | | |
| 12 | | Anthem Essential Guided Access Plus gzca | EOC_ENG_HMOCOLORADO_76680C00240009_20140101 | CER | Initial | | | |
| 13 | | Anthem Essential Guided Access gpja | EOC_ENG_HMOCOLORADO_76680C00240013_20140101 | CER | Initial | | | |
| 14 | | Anthem Essential Guided Access grja | EOC_ENG_HMOCOLORADO_76680C00240014_20140101 | CER | Initial | | | |
| 15 | | Anthem Essential Guided Access gsja | EOC_ENG_HMOCOLORADO_76680C00240015_20140101 | CER | Initial | | | |

SERFF Tracking #:

AWLP-129016152

State Tracking #:

278046

Company Tracking #:

State: Colorado

Filing Company:

HMO Colorado, Inc.

TOI/Sub-TOI: HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004E Small Group Only - Other

Product Name: HMO Colorado Small Group Rate Filing Effective 1/1/2014

Project Name/Number: /

Lead Form Number:

| Item No. | Schedule Item Status | Form Name | Form Number | Form Type | Form Action | Action Specific Data | Readability Score | Attachments |
|----------|----------------------|--|---|-----------|-------------|----------------------|-------------------|-------------|
| 16 | | Anthem Essential Direct Access Plus ghpa | EOC_ENG_HMOCOLORADO_76680C00240030_20140101 | CER | Initial | | | |
| 17 | | Anthem Essential Direct Access Plus gqpa | EOC_ENG_HMOCOLORADO_76680C00240031_20140101 | CER | Initial | | | |
| 18 | | Anthem Essential Direct Access Plus gkda | EOC_ENG_HMOCOLORADO_76680C00240021_20140101 | CER | Initial | | | |
| 19 | | Anthem Preferred Guided Access Plus gmca | EOC_ENG_HMOCOLORADO_76680C00240002_20140101 | CER | Initial | | | |
| 20 | | Anthem Preferred Direct Access Plus gfda | EOC_ENG_HMOCOLORADO_76680C00240020_20140101 | CER | Initial | | | |

SERFF Tracking #:

AWLP-129016152

State Tracking #:

278046

Company Tracking #:

State:

Colorado

Filing Company:

HMO Colorado, Inc.

TOI/Sub-TOI:

HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004E Small Group Only - Other

Product Name:

HMO Colorado Small Group Rate Filing Effective 1/1/2014

Project Name/Number:

/

Lead Form Number:

| Item No. | Schedule Item Status | Form Name | Form Number | Form Type | Form Action | Action Specific Data | Readability Score | Attachments |
|----------|----------------------|--|---|-----------|-------------|----------------------|-------------------|-------------|
| 21 | | Anthem Preferred Direct Access gyha | EOC_ENG_HMOCOLORADO_76680C00240023_20140101 | CER | Initial | | | |
| 22 | | Anthem Preferred Guided Access gjha | EOC_ENG_HMOCOLORADO_76680C00240005_20140101 | CER | Initial | | | |
| 23 | | Anthem Preferred Guided Access gbha | EOC_ENG_HMOCOLORADO_76680C00240007_20140101 | CER | Initial | | | |
| 24 | | Anthem Preferred Direct Access gwla | EOC_ENG_HMOCOLORADO_76680C00240016_20140101 | CER | Initial | | | |
| 25 | | Anthem Preferred Direct Access Plus gmpa | EOC_ENG_HMOCOLORADO_76680C00240001_20140101 | CER | Initial | | | |

SERFF Tracking #:

AWLP-129016152

State Tracking #:

278046

Company Tracking #:**State:** Colorado**Filing Company:** HMO Colorado, Inc.**TOI/Sub-TOI:** HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004E Small Group Only - Other**Product Name:** HMO Colorado Small Group Rate Filing Effective 1/1/2014**Project Name/Number:** /**Form Type Legend:**

| | | | |
|-------------|---|-------------|--|
| ADV | Advertising | AEF | Application/Enrollment Form |
| CER | Certificate | CERA | Certificate Amendment, Insert Page, Endorsement or Rider |
| DDP | Data/Declaration Pages | FND | Funding Agreement (Annuity, Individual and Group) |
| MTX | Matrix | NOC | Notice of Coverage |
| OTH | Other | OUT | Outline of Coverage |
| PJK | Policy Jacket | POL | Policy/Contract/Fraternal Certificate |
| POLA | Policy/Contract/Fraternal Certificate: Amendment, Insert Page, Endorsement or Rider | SCH | Schedule Pages |

State: Colorado **Filing Company:** HMO Colorado, Inc.
TOI/Sub-TOI: HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004E Small Group Only
 - Other
Product Name: HMO Colorado Small Group Rate Filing Effective 1/1/2014
Project Name/Number: /

Rate Justification

Rate Methodology

Experience Used for Rate Setting: Anthem's Colorado SG Experience Paid claims for all NGF and GF business incurred from Nov 2011 - Oct 2012 with paid claim runout through Dec 2012.

2012 Experience Period Loss Ratio: 87.2

Annual Health Cost Trends: 10.1 Risk Adjustment: 0.0 payments expected to/from the federal Risk Adjustment Program in 2014).

Reinsurance Recoveries: 0.0 (payments expected from the federal Reinsurance Program in 2014).

Smoking Factor: 10.0 higher rates for smokers at all ages.

Age Rating: 3.0 to 1.0 age rating factor limits for all adults age 21 and over.

Colorado 2014 Overall Average Premium: \$383.70

* Federal Reported 2014 Comparable Average Premium: \$383.70

* This is reported on the issuer's CMS URRT Form submitted in HIOS. It represents a standardized average premium calculation that is used by CMS for comparing and gauging premium development. It is not necessarily the actual average premium, which is shown in the line above as Colorado 2014 Overall Average Premium.

Premium Retained to Cover Expenses, Taxes Fees and Profits

Administrative costs: Expenses the insurance company pays to operate this insurance plan.

This includes all expenses not directly related to paying claims, such as, but not limited to, salaries of company employees, the cost of the company's offices and equipment, commissions to agents to sell and service policies, subsidies to cover legally required plans such as portability, and taxes.

Profit: The amount of money remaining after claims and administrative expenses are paid. Margin is the comparable term for a nonprofit insurance company.

Total premium retention is 21.9 shown as follows:

f Premium

Issuer Primary Expense and Profit Retention Retained

Administrative Expenses: 4.96 Commissions: 4.30 Profit and Contingencies After Taxes: 3.90 Contingencies: 0.00 FIT - Federal Income Taxes: 2.20 Investment Income: 1.00A) Total: 16.36

Retention for Additional Required Taxes, Fees and Assessments

PPACA Health Insurer Fee: 2.67 PPACA Reinsurance Fee: 1.33 PPACA CERF Fee: 0.00 PPACA Risk Adjustment User Fee: 0.02 PPACA PCORI Fee: 0.04 Exchange user fees: 0.55 Premium Taxes: 0.00 State Income Taxes: 0.00 Other Fees, Assessments, Taxes: 0.20B) Total: 4.81

Additional Allowed for QI

| | | | |
|-----------------------------|---|------------------------|--------------------|
| State: | Colorado | Filing Company: | HMO Colorado, Inc. |
| TOI/Sub-TOI: | HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004E Small Group Only - Other | | |
| Product Name: | HMO Colorado Small Group Rate Filing Effective 1/1/2014 | | |
| Project Name/Number: | / | | |

Rate Information

Rate data applies to filing.

Filing Method: Electronic

Rate Change Type: %

Overall Percentage of Last Rate Revision: %

Effective Date of Last Rate Revision:

Filing Method of Last Filing:

Company Rate Information

| Company Name: | Company Rate Change: | Overall % Indicated Change: | Overall % Rate Impact: | Written Premium Change for this Program: | # of Policy Holders Affected for this Program: | Written Premium for this Program: | Maximum % Change (where req'd): | Minimum % Change (where req'd): | |
|--------------------|----------------------|-----------------------------|------------------------|--|--|-----------------------------------|---------------------------------|---------------------------------|-------|
| HMO Colorado, Inc. | New Product | 0.000% | 0.000% | \$0 | 0 | \$0 | 0.000% | 0.000% | |
| Product Type: | | HMO | PPO | EPO | POS | HSA | HDHP | FFS | Other |
| Covered Lives: | | 0 | | | | | | | |
| Policy Holders: | | 0 | | | | | | | |

| | | | |
|-----------------------------|--|------------------------|--------------------|
| State: | Colorado | Filing Company: | HMO Colorado, Inc. |
| TOI/Sub-TOI: | HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004E Small Group Only - Other | | |
| Product Name: | HMO Colorado Small Group Rate Filing Effective 1/1/2014 | | |
| Project Name/Number: | / | | |

Rate Review Detail

State: Colorado
TOI/Sub-TOI: HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004E Small Group Only
- Other
Product Name: HMO Colorado Small Group Rate Filing Effective 1/1/2014
Project Name/Number: /

COMPANY:

Company Name: HMO Colorado, Inc.
HHS Issuer Id: 76680
Product Names: HMO
Trend Factors: The annual pricing trend used in the development of the rates is 10.1%. The trend is based on projected cost and utilization trends by place of service, including anticipated changes in provider contracts. Normalization adjustments are made for persistent business, age/gender, and large claims. Trend also includes an estimate for leveraging. The claims are trended 27 months from the midpoint of the experience period, which is May 1, 2012, to the midpoint of the projection period, which is August 1, 2014.

FORMS:

New Policy Forms: EOC_ENG_HMOCOLORADO_76680CO0230003_20140101,
EOC_ENG_HMOCOLORADO_76680CO0230001_20140101,
EOC_ENG_HMOCOLORADO_76680CO0230002_20140101,
EOC_ENG_HMOCOLORADO_76680CO0240027_20140101,
EOC_ENG_HMOCOLORADO_76680CO0240029_20140101,
EOC_ENG_HMOCOLORADO_76680CO0240028_20140101,
EOC_ENG_HMOCOLORADO_76680CO0240018_20140101,
EOC_ENG_HMOCOLORADO_76680CO0240022_20140101,
EOC_ENG_HMOCOLORADO_76680CO0240025_20140101,
EOC_ENG_HMOCOLORADO_76680CO0240026_20140101,
EOC_ENG_HMOCOLORADO_76680CO0240008_20140101,
EOC_ENG_HMOCOLORADO_76680CO0240009_20140101,
EOC_ENG_HMOCOLORADO_76680CO0240013_20140101,
EOC_ENG_HMOCOLORADO_76680CO0240014_20140101,
EOC_ENG_HMOCOLORADO_76680CO0240015_20140101,
EOC_ENG_HMOCOLORADO_76680CO0240030_20140101,
EOC_ENG_HMOCOLORADO_76680CO0240031_20140101,
EOC_ENG_HMOCOLORADO_76680CO0240021_20140101,
EOC_ENG_HMOCOLORADO_76680CO0240002_20140101,
EOC_ENG_HMOCOLORADO_76680CO0240020_20140101,
EOC_ENG_HMOCOLORADO_76680CO0240023_20140101,
EOC_ENG_HMOCOLORADO_76680CO0240005_20140101,
EOC_ENG_HMOCOLORADO_76680CO0240007_20140101,
EOC_ENG_HMOCOLORADO_76680CO0240016_20140101,
EOC_ENG_HMOCOLORADO_76680CO0240001_20140101

Affected Forms:

Other Affected Forms:

REQUESTED RATE CHANGE INFORMATION:

Change Period: Quarterly
Member Months: 61,200
Benefit Change: None

State: Colorado **Filing Company:** HMO Colorado, Inc.
TOI/Sub-TOI: HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004E Small Group Only
- Other
Product Name: HMO Colorado Small Group Rate Filing Effective 1/1/2014
Project Name/Number: /

Percent Change Requested: Min: 0.0 Max: 0.0 Avg: 0.0

PRIOR RATE:

Total Earned Premium: 0.00
Total Incurred Claims: 0.00
Annual \$: Min: 0.00 Max: 0.00 Avg: 0.00

REQUESTED RATE:

Projected Earned Premium: 23,482,419.00
Projected Incurred Claims: 18,902,823.00
Annual \$: Min: 123.73 Max: 1,669.53 Avg: 383.70

| | | | | | |
|-----------------------------|---|--------------------------|--------------------|----------------------------|--|
| SERFF Tracking #: | AWLP-129016152 | State Tracking #: | 278046 | Company Tracking #: | |
| State: | Colorado | Filing Company: | HMO Colorado, Inc. | | |
| TOI/Sub-TOI: | HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004E Small Group Only - Other | | | | |
| Product Name: | HMO Colorado Small Group Rate Filing Effective 1/1/2014 | | | | |
| Project Name/Number: | / | | | | |

Rate/Rule Schedule

| | | | |
|-----------------------------|---|------------------------|--------------------|
| State: | Colorado | Filing Company: | HMO Colorado, Inc. |
| TOI/Sub-TOI: | HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004E Small Group Only - Other | | |
| Product Name: | HMO Colorado Small Group Rate Filing Effective 1/1/2014 | | |
| Project Name/Number: | / | | |

| Item No. | Schedule Item Status | Document Name | Affected Form Numbers (Separated with commas) | Rate Action | Rate Action Information | Attachments |
|----------|----------------------|---------------|---|-------------|-------------------------|-------------|
|----------|----------------------|---------------|---|-------------|-------------------------|-------------|

SERFF Tracking #:

AWLP-129016152

State Tracking #:

278046

Company Tracking #:

State:

Colorado

Filing Company:

HMO Colorado, Inc.

TOI/Sub-TOI:

HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004E Small Group Only - Other

Product Name:

HMO Colorado Small Group Rate Filing Effective 1/1/2014

Project Name/Number:

/

| | | | | | | |
|---|--|-----------------------|--|-----|--|----------------------------------|
| 1 | | CO SG HMO Rate Manual | EOC_ENG_HMOCOLORADO_76 680CO0230003_20140101, EOC_ENG_HMOCOLORADO_76 680CO0230001_20140101, EOC_ENG_HMOCOLORADO_76 680CO0230002_20140101, EOC_ENG_HMOCOLORADO_76 680CO0240027_20140101, EOC_ENG_HMOCOLORADO_76 680CO0240029_20140101, EOC_ENG_HMOCOLORADO_76 680CO0240028_20140101, EOC_ENG_HMOCOLORADO_76 680CO0240018_20140101, EOC_ENG_HMOCOLORADO_76 680CO0240022_20140101, EOC_ENG_HMOCOLORADO_76 680CO0240025_20140101, EOC_ENG_HMOCOLORADO_76 680CO0240026_20140101, EOC_ENG_HMOCOLORADO_76 680CO0240008_20140101, EOC_ENG_HMOCOLORADO_76 680CO0240009_20140101, EOC_ENG_HMOCOLORADO_76 680CO0240013_20140101, EOC_ENG_HMOCOLORADO_76 680CO0240014_20140101, EOC_ENG_HMOCOLORADO_76 680CO0240015_20140101, EOC_ENG_HMOCOLORADO_76 | New | | CO SG HMO Rate Manual v2.pdf, |
|---|--|-----------------------|--|-----|--|----------------------------------|

SERFF Tracking #:

AWLP-129016152

State Tracking #:

278046

Company Tracking #:

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Filing Company:

HMO Colorado, Inc.

TOI/Sub-TOI:

HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004E Small Group Only - Other

Product Name:

HMO Colorado Small Group Rate Filing Effective 1/1/2014

Project Name/Number:

/

| | | | | | | |
|--|--|--|---|--|--|--|
| | | | 680CO0240030_20140101, EOC_ENG_HMOCOLORADO_76 680CO0240031_20140101, EOC_ENG_HMOCOLORADO_76 680CO0240021_20140101, EOC_ENG_HMOCOLORADO_76 680CO0240002_20140101, EOC_ENG_HMOCOLORADO_76 680CO0240020_20140101, EOC_ENG_HMOCOLORADO_76 680CO0240023_20140101, EOC_ENG_HMOCOLORADO_76 680CO0240005_20140101, EOC_ENG_HMOCOLORADO_76 680CO0240007_20140101, EOC_ENG_HMOCOLORADO_76 680CO0240016_20140101, EOC_ENG_HMOCOLORADO_76 680CO0240001_20140101 | | | |
|--|--|--|---|--|--|--|

Exhibit I - Non-Grandfathered Benefit Plan Factors

HMO Colorado, Inc.
Small Group
Effective January 1, 2014

| On-Exchange Plans: | | | |
|--------------------|--|--------------------|--------------------|
| <u>Metal Level</u> | <u>HIOS Standard Component Plan ID</u> | <u>Network</u> | <u>Plan Factor</u> |
| Catastrophic | | | |
| Bronze | 76680CO0230003 | Highly Aligned HMO | 0.7765 |
| Silver | 76680CO0230001 | Highly Aligned HMO | 0.9416 |
| Gold | 76680CO0230002 | Highly Aligned HMO | 1.2125 |
| Platinum | | | |

| Off-Exchange Plans: | | | |
|---------------------|--|--------------------|--------------------|
| <u>Metal Level</u> | <u>HIOS Standard Component Plan ID</u> | <u>Network</u> | <u>Plan Factor</u> |
| Catastrophic | | | |
| Bronze | 76680CO0240027 | Blue Priority HMO | 0.8918 |
| | 76680CO0240029 | Blue Priority HMO | 0.8222 |
| | 76680CO0240028 | Blue Priority HMO | 0.8918 |
| Silver | 76680CO0240018 | Highly Aligned HMO | 0.9520 |
| | 76680CO0240022 | Highly Aligned HMO | 0.9276 |
| | 76680CO0240025 | Highly Aligned HMO | 0.9817 |
| | 76680CO0240026 | Highly Aligned HMO | 1.0624 |
| | 76680CO0240008 | Blue Priority HMO | 0.9890 |
| | 76680CO0240009 | Blue Priority HMO | 0.9520 |
| | 76680CO0240013 | Blue Priority HMO | 0.9869 |
| | 76680CO0240014 | Blue Priority HMO | 1.0285 |
| | 76680CO0240015 | Blue Priority HMO | 1.0639 |
| | 76680CO0240030 | Highly Aligned HMO | 0.9387 |
| | 76680CO0240031 | Highly Aligned HMO | 0.9659 |
| | 76680CO0240021 | Highly Aligned HMO | 0.9868 |
| Gold | 76680CO0240002 | Blue Priority HMO | 1.1449 |
| | 76680CO0240020 | Highly Aligned HMO | 1.1641 |
| | 76680CO0240023 | Highly Aligned HMO | 1.1665 |
| | 76680CO0240005 | Blue Priority HMO | 1.1633 |
| | 76680CO0240007 | Blue Priority HMO | 1.2095 |
| | 76680CO0240016 | Highly Aligned HMO | 1.2280 |
| | 76680CO0240001 | Highly Aligned HMO | 1.2125 |
| Platinum | | | |

NOTES:

Benefit Plan Factors above reflect plan by plan differences from the index rate for allowable adjustments as described in detail in the Market Reform and Payment Parameters Regulations and illustrated in Exhibit P. The weighted average of these adjustments for the entire risk pool included in this rate filing is detailed in Exhibit H.

Exhibit J - Age Factors

HMO Colorado, Inc.
Small Group
Effective January 1, 2014

| Age | Rating Factor |
|-------|---------------|
| 0-20 | 0.635 |
| 21-24 | 1.000 |
| 25 | 1.004 |
| 26 | 1.024 |
| 27 | 1.048 |
| 28 | 1.087 |
| 29 | 1.119 |
| 30 | 1.135 |
| 31 | 1.159 |
| 32 | 1.183 |
| 33 | 1.198 |
| 34 | 1.214 |
| 35 | 1.222 |
| 36 | 1.230 |
| 37 | 1.238 |
| 38 | 1.246 |
| 39 | 1.262 |
| 40 | 1.278 |
| 41 | 1.302 |
| 42 | 1.325 |
| 43 | 1.357 |
| 44 | 1.397 |
| 45 | 1.444 |
| 46 | 1.500 |
| 47 | 1.563 |
| 48 | 1.635 |
| 49 | 1.706 |
| 50 | 1.786 |
| 51 | 1.865 |
| 52 | 1.952 |
| 53 | 2.040 |
| 54 | 2.135 |
| 55 | 2.230 |
| 56 | 2.333 |
| 57 | 2.437 |
| 58 | 2.548 |
| 59 | 2.603 |
| 60 | 2.714 |
| 61 | 2.810 |
| 62 | 2.873 |
| 63 | 2.952 |
| 64+ | 3.000 |

Exhibit K - Tobacco Factors

HMO Colorado, Inc.
Small Group
Effective January 1, 2014

| Age | Rating Factor |
|------|---------------|
| 0-20 | 1.0000 |
| 21+ | 1.1000 |

Exhibit L - Area Factors

HMO Colorado, Inc.

Small Group

Effective January 1, 2014

| Rating Area Description | Highly Aligned HMO Network | Blue Priority HMO Network |
|--------------------------|-------------------------------|------------------------------|
| 1 - Boulder MSA | 0.9450 | |
| 2 - Colorado Springs MSA | 0.9057 | 0.9057 |
| 3 - Denver MSA | 0.9648 | 0.9648 |
| 4 - Fort Collins MSA | 1.0166 | |
| 5 - Grand Junction MSA | 1.0814 | |
| 6 - Greeley PMSA | 1.0788 | |
| 7 - Pueblo MSA | 1.0132 | |
| 8 - SE Non-MSA | 1.0631 | |
| 9 - NE Non-MSA | 1.3468 | |
| 10 - West Non-MSA | 1.2114 | |
| 11 - Resort Non-MSA | 1.4870 | |

Exhibit Q - Quarterly Index and Base Rate

HMO Colorado, Inc. Small Group

| | Rates Effective: | | | | |
|-------------------------|------------------|-----------|-----------|-----------|-----------|
| | 1Q14 | 2Q14 | 3Q14 | 4Q14 | Wtd Avg |
| Renewing Member Months | 281,954 | 105,733 | 105,733 | 211,466 | 704,886 |
| Quarterly Allowed Trend | | 2.2% | 2.2% | 2.1% | |
| Index Rate | \$429.78 | \$ 439.02 | \$ 448.46 | \$ 457.99 | \$ 442.43 |
| Quarterly Paid Trend | | 2.4% | 2.4% | 2.4% | |
| Base Rate | \$ 277.06 | \$ 283.79 | \$ 290.72 | \$ 297.78 | |

NOTES:

{1} The 1Q14 index rate was derived in Exhibit O.

{2} The 1Q14 index rate is assumed to increase with quarterly allowed trend as illustrated above.

{3} The 1Q14 base rate was derived in Exhibit A.

{4} The 1Q14 base rate is assumed to increase with quarterly paid trend as illustrated above. This trend rate differs from the index rate trend in that it includes anticipated changes for non-EHBs, deductible leveraging, fees, and risk mitigation programs.

{5} Minor rate variances may occur due to differences in rounding methodology.

| | | | |
|-----------------------------|---|------------------------|--------------------|
| State: | Colorado | Filing Company: | HMO Colorado, Inc. |
| TOI/Sub-TOI: | HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004E Small Group Only - Other | | |
| Product Name: | HMO Colorado Small Group Rate Filing Effective 1/1/2014 | | |
| Project Name/Number: | / | | |

Supporting Document Schedules

| | |
|-------------------------|---|
| Bypassed - Item: | HR-1 Form (H) |
| Bypass Reason: | HR-1 no longer required under state regulation. |
| Attachment(s): | |
| Item Status: | |
| Status Date: | |

| | |
|-------------------------|---|
| Bypassed - Item: | Consumer Disclosure Form |
| Bypass Reason: | This filing is for new products and is not subject to the review threshold. |
| Attachment(s): | |
| Item Status: | |
| Status Date: | |

| | |
|--------------------------|---|
| Satisfied - Item: | Actuarial Memorandum and Certifications |
| Comments: | |
| Attachment(s): | CO SG HMO Fed Act Memo v3.pdf |
| Item Status: | |
| Status Date: | |

| | |
|--------------------------|--|
| Satisfied - Item: | Unified Rate Review Template |
| Comments: | |
| Attachment(s): | URRT CO SG G1522 76680 Submission 7 30 2013.xlsm |
| Item Status: | |
| Status Date: | |

| | |
|--------------------------|--|
| Satisfied - Item: | Colorado Actuarial Memorandum |
| Comments: | |
| Attachment(s): | CO SG HMO Annualized Premium & Claim Projection.pdf CO SG HMO State Act Memo v2.pdf CO SG HMO Excel Exhibits v2.xlsx CO SG HMO Exh. H - Average Factor Detail.pdf |

| | | | |
|-----------------------------|---|------------------------|--------------------|
| State: | Colorado | Filing Company: | HMO Colorado, Inc. |
| TOI/Sub-TOI: | HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004E Small Group Only - Other | | |
| Product Name: | HMO Colorado Small Group Rate Filing Effective 1/1/2014 | | |
| Project Name/Number: | / | | |

| | |
|---------------------|--|
| Item Status: | |
| Status Date: | |

| | |
|--------------------------|----------------------------|
| Satisfied - Item: | Rate Sample |
| Comments: | |
| Attachment(s): | CO SG HMO Rate Sample.xlsx |
| Item Status: | |
| Status Date: | |

SERFF Tracking #:

AWLP-129016152

State Tracking #:

278046

Company Tracking #:

State:

Colorado

Filing Company:

HMO Colorado, Inc.

TOI/Sub-TOI:

HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004E Small Group Only - Other

Product Name:

HMO Colorado Small Group Rate Filing Effective 1/1/2014

Project Name/Number:

/

Attachment URRT CO SG G1522 76680 Submission 7 30 2013.xlsm is not a PDF document and cannot be reproduced here.

Attachment CO SG HMO Excel Exhibits v2.xlsx is not a PDF document and cannot be reproduced here.

Attachment CO SG HMO Rate Sample.xlsx is not a PDF document and cannot be reproduced here.

ACTUARIAL MEMORANDUM

1. General Information

- Company Identifying Information

| | |
|---------------------|--------------------|
| Company Legal Name: | HMO Colorado, Inc. |
| State: | Colorado |
| HIOS Issuer ID: | 76680 |
| Market: | Small Group |
| Effective Date: | January 1, 2014 |

- Company Contact Information

| | |
|-----------------------------------|-----------------------------|
| Primary Contact Name: | Steve Spelshaus |
| Primary Contact Telephone Number: | (303) 831-2073 |
| Primary Contact Email Address: | Steven.Spelshaus@anthem.com |

2. Scope and Purpose of the Filing

To the best of Anthem's knowledge and current understanding, this filing complies with the most recent regulations and related guidance. Anthem's intention is to fully comply with all applicable laws and guidance; however, the regulatory framework continues to change and evolve rapidly. To the extent relevant rules or guidance on the rules are updated or changed, amendments to this filing may be required.

The purpose of this rate filing is to establish new product rates that are reasonable relative to the benefits provided and to demonstrate compliance with state laws and provisions of the Affordable Care Act (ACA). The rates will be in-force for effective dates on or after January 1, 2014. Subsequent rate changes will be implemented quarterly as discussed in more detail in Section 15: Index Rate. These rates will apply to plans offered both On-Exchange and Off-Exchange. This rate filing is not intended to be used for other purposes.

| | |
|------------------------|---|
| Policy Form Number(s): | EOC_ENG_HMOCOLORADO_76680CO0230003_20140101 |
| | EOC_ENG_HMOCOLORADO_76680CO0230001_20140101 |
| | EOC_ENG_HMOCOLORADO_76680CO0230002_20140101 |
| | EOC_ENG_HMOCOLORADO_76680CO0240027_20140101 |
| | EOC_ENG_HMOCOLORADO_76680CO0240029_20140101 |
| | EOC_ENG_HMOCOLORADO_76680CO0240028_20140101 |
| | EOC_ENG_HMOCOLORADO_76680CO0240018_20140101 |
| | EOC_ENG_HMOCOLORADO_76680CO0240022_20140101 |
| | EOC_ENG_HMOCOLORADO_76680CO0240025_20140101 |
| | EOC_ENG_HMOCOLORADO_76680CO0240026_20140101 |
| | EOC_ENG_HMOCOLORADO_76680CO0240008_20140101 |
| | EOC_ENG_HMOCOLORADO_76680CO0240009_20140101 |

EOC_ENG_HMOCOLORADO_76680CO0240013_20140101
EOC_ENG_HMOCOLORADO_76680CO0240014_20140101
EOC_ENG_HMOCOLORADO_76680CO0240015_20140101
EOC_ENG_HMOCOLORADO_76680CO0240030_20140101
EOC_ENG_HMOCOLORADO_76680CO0240031_20140101
EOC_ENG_HMOCOLORADO_76680CO0240021_20140101
EOC_ENG_HMOCOLORADO_76680CO0240002_20140101
EOC_ENG_HMOCOLORADO_76680CO0240020_20140101
EOC_ENG_HMOCOLORADO_76680CO0240023_20140101
EOC_ENG_HMOCOLORADO_76680CO0240005_20140101
EOC_ENG_HMOCOLORADO_76680CO0240007_20140101
EOC_ENG_HMOCOLORADO_76680CO0240016_20140101
EOC_ENG_HMOCOLORADO_76680CO0240001_20140101

3. Description of How the Base Rate Is Determined

The development of the Base Rate is detailed in Exhibit A - Base Rate Development. Further details on how the base rate is developed can be found in Section 8: Credibility Manual Rate Development, Section 11: Risk Adjustment and Reinsurance, Section 12: Non-Benefit Expenses, Profit and Risk, and Section 13: Average 2014 Rating Factors. A description of the methodology used to determine the base rate is as follows:

- Small Group manual rates are developed based on historical experience of Grandfathered and Non-Grandfathered business.
- The experience data is normalized to reflect anticipated changes in age/gender, area/network and benefit plan from the experience period to the projection period based on expected distribution of membership.
- The projected claims cost is calculated by adjusting the normalized claims for the impact of benefit changes, population morbidity, trend factors, other cost of care impacts and other claim adjustments.
- The projection period is February 1, 2014 - January 31, 2015. Small Group Business renews on a quarterly basis; therefore the middle month of the first quarter is February 2014.
- Adjustments for risk adjustment and reinsurance are applied to the projected claims cost.
- Non-benefit expenses, profit, and risk are applied to the projected claims cost to determine the required projection period premium.
- The average rating factors in the projection period are applied to the projection period premium to determine the base rate.
- The base rate represents an average benefit plan and area for an age 21 non-tobacco user in Colorado.

Premiums at the member level are determined by multiplying the base rate by the applicable factor for each of the allowable rating criteria: age, tobacco, area, and benefit plan. An example of this calculation is shown in Exhibit M - Sample Rate Calculation.

4. Proposed Rate Increase

New product filing; this section is not applicable.

5. Experience Period Premium and Claims

Experience shown in Worksheet 1, Section I of the Unified Rate Review Template is for the Colorado Small Group Single Risk Pool Non-Grandfathered Business. This experience is deemed not credible and therefore is not used for development of manual rates. The manual rates are fully detailed in Section 8: Credibility Manual Rate Development.

Claims experience in Worksheet 1, Section I of the Unified Rate Review Template reflects dates of service from January 1, 2012 through December 31, 2012.

- **Paid Through Date**

Claims shown in Worksheet 1, Section I of the Unified Rate Review Template are paid through December 31, 2012.

- **Allowed and Incurred Claims Incurred During the Experience Period**

The allowed claims are determined by adding member cost sharing amounts to plan liability amounts.

Allowed and incurred claims are completed using the chain ladder method, an industry standard, by using historic paid vs. incurred claims patterns. The method calculates historic completion percentages, representing the percent of claims paid for a particular month after one month of run out, two months, etc., for a forty-eight month view of history. Claim backlog files are reviewed on a monthly basis and are accounted for in the historical completion factor estimates.

- **Premiums (net of MLR Rebate) in Experience Period**

The estimated Non-Grandfathered gross earned premium for Colorado Small Group is \$2,999,401, where earned premium is the pro-rata share of premium owed to Anthem due to subscribers actively purchasing insurance coverage during the experience period.

The preliminary MLR Rebate estimate is \$0, which is consistent with the 12/31/2012 Anthem general ledger estimate allocated to the Non-Grandfathered portion of Small Group. Note that this is an estimate and will not be final until 6/1/2013.

6. Benefit Categories

The methodology used to determine benefit categories in Worksheet 1, Section II of the Unified Rate Review Template is as follows:

- Inpatient Hospital: Includes non-capitated facility services for medical, surgical, maternity, mental health and substance abuse, skilled nursing, and other services provided in an inpatient facility setting and billed by the facility.
- Outpatient Hospital: Includes non-capitated facility services for surgery, emergency room, lab, radiology, therapy, observation and other services provided in an outpatient facility setting and billed by the facility.
- Professional: Includes non-capitated primary care, specialist, therapy, the professional component of laboratory and radiology, and other professional services, other than hospital based professionals whose payments are included in facility fees.
- Other Medical: Includes non-capitated ambulance, home health care, DME, prosthetics, supplies, vision exams, dental services and other services.
- Capitation: Includes all services provided under one or more capitated arrangements.
- Prescription Drug: Includes drugs dispensed by a pharmacy and rebates received from drug manufacturers.

7. Projection Factors

As previously indicated, the credibility level assigned to the experience in Worksheet 1, Section III of the Unified Rate Review Template is 0%. Consequently, factors to project experience claims are not provided as they are not applicable. However, the factors used to develop the manual rates are fully detailed in Section 8: Credibility Manual Rate Development.

8. Credibility Manual Rate Development

Experience developed and projected herein is Anthem's Small Group Business based on plan liability amounts. The rate development is shown in Exhibit A - Base Rate Development.

• Source and Appropriateness of Experience Data Used

The source data underlying the development of the manual rate consists of claims for all Grandfathered and Non-Grandfathered Small Group business, incurred during the period November 1, 2011 – October 31, 2012 and paid through December 31, 2012. Completion factors are then calculated to reflect additional months of runout after December 31, 2012. Anthem expects a large portion of the Grandfathered Small Group policyholders to migrate to ACA-compliant policies prior to and during the projection period.

Other than completing the incurred claims, no further explicit adjustments are made to the experience data.

For more detail, see Exhibit B - Claims Experience for Manual Rate Development.

- **Adjustments Made to the Data**

The development of the claims projected to the projection period is summarized in Exhibit A - Base Rate Development, items (1) - (10), and described in detail below.

The projected claims cost is calculated by multiplying the normalized claims cost by the impact of benefit changes, anticipated changes in population morbidity, and cost of care impacts. The adjustments are described below, and the factors are presented in Exhibit D - Projection Period Adjustments.

Changes in Demographics (Normalization)

The source data was normalized to reflect anticipated changes in age/gender, area/network and benefit plan from the experience period to the projection period. The purpose of these factors is to adjust current experience to be reflective of expected claim experience in the projection period. See Section 18: Membership Projections for additional information on membership movement. The normalization factors and their aggregate impact on the underlying experience data are detailed in Exhibit C - Normalization Factors.

- **Age/Gender:** The assumed claims cost is applied by age and gender to the experience period distribution and the projection period distribution.
- **Area/Network:** The area claims factors are developed based on an analysis of Small Group and Individual allowed claims by network, mapped to the prescribed 2014 rating areas using 5-digit zip code.
- **Benefit Plan:** The experience period claims are normalized to an average 2014 plan using benefit relativities. The benefit relativities include the value of cost shares and anticipated changes in utilization due to the difference in average cost share requirements.

Changes in Benefits

Benefit changes include the following:

- **Preventive Rx (over the counter):** The claims are adjusted for 100% coverage of benefits for specific over the counter drugs obtained with a prescription from a physician.
- **Rx Adjustments:** The claims are adjusted for differences in the Rx formulary, coverage for preventive prescription drugs previously sold over-the-counter, and impacts for moving drugs into different tiers in the projection period relative to what is reflected in the base experience data.

Changes in the Morbidity of the Population Insured

The claims are adjusted to reflect shifts in health insurance coverage as a result of the provisions of the ACA. The market shifts, or population movements, affecting the morbidity of the Small Group market in the projection period include:

- Small Groups electing to drop coverage
- Small group members electing to be uninsured
- Small groups moving to self-funded coverage
- Small group members moving to Medicaid
- Renewal timing changes as Small Groups elect to move their renewal date and remain on their current products longer in 2014

The movement assumptions above are based on market research and assumptions on the employer opt-out and consumer uptake rates. The morbidity impacts of population movement are based on health status determined from internal risk score data.

Trend Factors

- The annual pricing trend used in the development of the rates is 10.1%. The trend is based on projected cost and utilization trends by place of service, including anticipated changes in provider contracts. Normalization adjustments are made for persistent business, age/gender, and large claims. Trend also includes an estimate for leveraging. The claims are trended 27 months from the midpoint of the experience period, which is May 1, 2012, to the midpoint of the projection period, which is August 1, 2014.

Other Claim Adjustments

The adjustments described below are presented in Exhibit E - Other Claim Adjustments.

- Rx Rebates: The projected claims cost is adjusted to reflect anticipated Rx rebates. These projections take into account the most up-to-date information regarding anticipated rebate contracts, drug prices, anticipated price inflation, and upcoming patent expirations.
- The cost of adding benefits for pediatric dental and vision are included.

• Capitation Payments

The underlying data includes capitation payments, which are combined with the base medical and pharmacy claims and projected at the same rate. No further adjustment is made to the capitation.

9. Credibility of Experience

The combination of both Grandfathered and Non-Grandfathered experience data most reasonably reflects Small Group claims experience under the future projection period. Actuarial judgment has been exercised to determine that rates will be developed giving full credibility to the data underlying the manual rate in Section 8: Credibility Manual Rate Development.

- Resulting Credibility Level Assigned to Base Period Experience

The credibility level assigned to the experience in Worksheet 1, Section III of the Unified Rate Review Template is 0%.

10. Paid to Allowed Ratio

The 'Paid to Allowed Average Factor in Projection Period' shown in Worksheet 1, Section III of the Unified Rate Review Template is developed by membership-weighted essential health benefit paid claims divided by membership-weighted essential health benefit allowed claims of each plan. The projected membership by plan is shown in Worksheet 2, Section II.

11. Risk Adjustment and Reinsurance

- Projected Risk Adjustment

The Risk Adjustment program transfers funds from lower risk plans to higher risk plans in the Non-Grandfathered Individual and Small Group market. At this time, Anthem is assuming the risk for the plans in this filing are no better or worse than other plans in the market, resulting in no estimated risk transfer value as shown in Exhibit F - Risk Adjustment and Reinsurance - Contributions and Payments.

- Projected ACA Reinsurance Recoveries Net of Reinsurance Premium

The transitional reinsurance risk mitigation program collects funds from all insurance issuers and TPAs and redistributes them to high cost claimants in the Non-Grandfathered Individual market. The reinsurance contribution is equal to the national per capita reinsurance contribution rate as shown in Exhibit F - Risk Adjustment and Reinsurance - Contributions and Payments.

12. Non-Benefit Expenses, Profit and Risk

Non-Benefit expenses are detailed in Exhibit G - Non-Benefit Expenses and Profit & Risk.

- Administrative Expense

Administrative Expenses are expected to be consistent with historical levels and are developed utilizing the same methodology as previous filings, they are not varied by product or plan. Maintenance costs are assumed to be flat on a per member basis with savings from administrative efficiencies and the elimination of underwriting offset by new expenses for risk management and regulatory compliance.

- **Quality Improvement Expense**

The quality improvement expense represents Anthem's dedication to providing the highest standard of customer care and consistently seeking to improve health care quality, outcomes and value in a cost efficient manner.

- **Selling Expense**

Selling Expense represents broker commissions and bonuses associated with the broker distribution channel using historical and projected commission levels. Commissions will be paid On-Exchange and Off-Exchange.

- **Taxes and Fees**

- **Patient-Centered Outcomes Research Institute (PCORI) Fee:** The PCORI fee is a federally-mandated fee designed to help fund the Patient-Centered Outcomes Research Trust Fund. For plan years ending before October 1, 2014, the fee is \$2 per member per year. Thereafter, for every plan year ending before October 1, 2019, the fee will increase by the percentage increase in National Healthcare Expenditures.
- **Risk Adjustment Fee:** The Risk Adjustment fee is a user fee to support the administration of the HHS operated Risk Adjustment program. The charge is \$1 per enrollee per year.
- **ACA Insurer Fee:** The health insurance industry will be assessed a permanent fee, based on market share of net premium, which is not tax deductible.
- **Exchange Fee:** The Exchange User Fee applies to Exchange business only, but the cost is spread across all Small Group plans. It is a blended fee based on the assumed percentage of members that will purchase products On-Exchange and Off-Exchange.
- Federal, state, and premium taxes are also included in the retention items.

- **Profit**

Profit is reflected on a post-tax basis as a percent that does not vary by product or plan.

13. Average 2014 Rating Factors

The required premium in the projection period is adjusted to reflect the average age, tobacco, area, and benefit plan rating factors to develop the rating period base rate. The average factors are shown in Exhibit H - Average 2014 Rating Factors and applied in line item 14 of Exhibit A - Base Rate Development.

- Benefit Plan Factors

Refer to Exhibit I - Non-Grandfathered Benefit Plan Factors.

- Age and Tobacco Factors

Refer to Exhibit J - Age Factors.

Refer to Exhibit K - Tobacco Factors.

- Area Factors

Refer to Exhibit L - Area Factors.

14. Projected Loss Ratio

- Projected Federal MLR

The projected Federal MLR for the products in this filing is estimated in Exhibit N - Federal MLR Estimated Calculation. Please note that this calculation is purely an estimate and not meant to be a true measure for Federal or State MLR rebate purposes. The products in this filing represent only a subset of Anthem's Small Group business. The MLR for Anthem's entire book of Small Group business will be compared to the minimum Federal benchmark for purposes of determining regulation-related premium refunds. Also note that the projected Federal MLR presented here does not capture all adjustments, including but not limited to third party margins, three-year averaging, credibility, dual option, and deductible. Anthem's projected MLR is expected to meet or exceed the minimum MLR standards at the market level after including all adjustments.

15. Index Rate

- Experience Period Index Rate

The index rate represents the average allowed claims PMPM of essential health benefits for HMO Colorado, Inc. 's Small Group Non-Grandfathered Business. The experience period index rate shown in Worksheet 1, Section I (cell G17) of the Unified Rate Review Template is \$910.62 and is different than the experience period allowed claims (cell G16 in the same location) due to non-essential health benefits covered during the experience period. A comparison to the benchmark was performed and Acupuncture was identified as non-essential health benefits covered during the experience period.

- Projection Period Index Rate

The index rate represents the average allowed claims PMPM of essential health benefits for HMO Colorado, Inc. 's Small Group Non-Grandfathered Business. The 1st quarter projection period index rate was developed as shown in Exhibit O - Projected Index Rate Development by adjusting the projected incurred claims PMPM described in Section 8: Credibility Manual Rate Development of this memorandum. Projected trended index rates by quarter are also captured in Exhibit Q - Quarterly Index and Base Rate. Covered benefits in excess of essential health benefits that are included in the projection period allowed claims (cell T30 of Worksheet 1, Section II of the Unified Rate Review Template) but excluded from Exhibit Q's projection period index rate (also shown in cell V44 of Worksheet 1, Section III of the Unified Rate Review Template) are Spinal Manipulation, Diagnosis of Infertility, Webinars (DocTalk), Healthy Lifestyles Incentives (\$150/yr), Tobacco Free Certification with Incentives (\$50/yr), Gym Reimbursement (\$400/yr), and Incentive Admin (AHR Direct Platform and HMRK Gift Card). To calculate the required premium, the projection period index rate is adjusted only by the adjustments allowed per Market Reform and Payment Parameters Regulations. This development is presented in Exhibit P - Development of Required Premium from Index Rate.

- Quarterly Index and Base Rate

Quarterly index and base rate changes will be implemented On-Exchange and Off-Exchange. Refer to Exhibit Q - Quarterly Index and Base Rate.

16. Actuarial Value Metal Values

The Actuarial Value (AV) Metal Values included in Worksheet 2 of the Unified Rate Review Template are based on the AV Calculator. To the extent a component of the benefit design was not accommodated by an available input within the AV Calculator, the benefit characteristic was adjusted to be actuarially-equivalent to an available input within the AV Calculator for purposes of utilizing the AV Calculator as the basis for the AV Metal Values. Benefits for Plans that are not compatible with the parameters of the AV Calculator have been separately identified and documented in the Unique Plan Design Supporting Documentation and Justification that supports the Plan & Benefits Template.

17. Actuarial Value Pricing Values

The AV Pricing Values for each Product ID are in Worksheet 2, Section I of the Unified Rate Review Template. The fixed reference plan selected as the basis for the AV Pricing Value calculations is '76680CO0240018'. Utilization adjustments are made to account for member behavior variations, depending on the richness of the benefit design and not the health status of the member. The average allowable modifiers to the Index Rate can be found in Exhibit P - Development of Required Premium from Index Rate.

18. Membership Projections

Membership projections are developed using a population movement model and adjustments for sales expectations. This model projects the membership in the projection period by taking into account:

- Small Groups dropping coverage
- Small Group members opting out of coverage
- Small Group members to Medicaid as a result of expanded Medicaid eligibility

The plan distribution is based on assumed metal tier and network distributions.

Refer to Exhibit D - Projection Period Adjustments for the projected morbidity changes from population movement.

19. Warning Alerts

The sum of the allowed claims for plan level projections on Worksheet 2, Section IV of the Unified Rate Review Template are net of projected risk adjustments and projected ACA reinsurance recoveries and premium, which is consistent with the Unified Rate Review Template instructions for the allowed claims as well as the check in cell B86. However, this results in the allowed claims PMPM to be mismatched to the check in cell B99 since B99 does not net the impacts of projected risk adjustments and projected ACA reinsurance recoveries and premium, so a warning may result in A99.

20. Terminated Products

Non ACA-compliant products will no longer be offered to new enrollees effective January 1, 2014 but will remain in effect in 2014 until enrollees renew onto ACA-compliant products. The list of non ACA-compliant terminated products are shown in Exhibit R - Terminated Products.

21. Plan Type

Plan types in Worksheet 2, Section I of the URRT adequately describe Anthem's plans.

22. Reliance

In support of this rate development, various data and analyses were provided by other members of WellPoint's internal actuarial staff, including data and analysis related to cost of care, valuation, and pricing. I have reviewed these data and analyses for reasonableness and consistency. I have relied on Brian Renshaw, FSA, MAAA to provide the actuarial certification for the Unique Plan Design Supporting Documentation and Justification for plans included in this filing.

Actuarial Certification

I, Michael Polakowski, FSA, MAAA, am an actuary for Anthem. I am a member of the American Academy of Actuaries and a Fellow of the Society of Actuaries. I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein. I hereby certify that the following statements are true to the best of my knowledge with regards to this filing:

- (1) The projected Index Rate is:

- In compliance with all applicable State and Federal Statutes and Regulations (45 CFR 156.80(d)(1)),
- Developed in compliance with the applicable Actuarial Standards of Practice
- Reasonable in relation to the benefits provided and the population anticipated to be covered
- Not excessive, inadequate, or unfairly discriminatory.

(2) The Index Rate and only the allowable modifiers as described in 45 CFR 156.80(d)(1) and 45 CFR 156.80(d)(2) were used to generate plan level rates.

(3) The percent of total premium that represents essential health benefits included in Worksheet 2, Sections III and IV is calculated in accordance with actuarial standards of practice.

(4) The AV Calculator was used to determine the AV Metal Values shown in Worksheet 2 of the Part I Unified Rate Review Template for all plans.

The Part I Unified Rate Review Template does not demonstrate the process used by the issuer to develop the rates. Rather it represents information required by Federal regulation to be provided in support of the review of rate increases, for certification of Qualified Health Plans for Federally-Facilitated Exchanges, and for certification that the Index Rate is developed in accordance with Federal regulation, used consistently, and only adjusted by the allowable modifiers. However, this Actuarial Memo does accurately describe the process used by the issuer to develop the rates.



Michael Polakowski, FSA, MAAA
Regional Vice President and Actuary III

May 14, 2013

Date

Exhibit A - Base Rate Development

Effective January 1, 2014

HMO Colorado, Inc.
Small Group

| | <u>Paid Claims</u> | |
|--|--------------------|-------------------------------|
| 1) Experience Period Cost PMPM | \$ 297.23 | Exhibit B |
| 2) <u>x Normalization Factor</u> | <u>0.8888</u> | Exhibit C |
| 3) = Normalized Claims | \$ 264.18 | = (1) x (2) |
| 4) x Benefit Changes | 0.9437 | Exhibit D |
| 5) x Morbidity Changes | 0.9789 | Exhibit D |
| 6) x Trend Factor | 1.2426 | Exhibit D |
| 7) <u>x Other Cost of Care Impacts</u> | <u>1.0000</u> | Exhibit D |
| 8) = Projected Claim Cost | \$ 303.25 | = (3) x (4) x (5) x (6) x (7) |
| 9) + Other Claim Impacts | \$0.52 | Exhibit E |
| 10) = Claims Projected to Projection Period | \$ 303.77 | = (8) + (9) |
| 11) + Risk Mitigation - Contributions and Payments | \$5.10 | Exhibit F |
| 12) <u>+ Selling Expense, Administration and Other Retention Items {1}</u> | <u>\$74.83</u> | Exhibit G |
| 13) = Required Premium in Projection Period | \$ 383.70 | = (10) + (11) + (12) |
| 14) <u>÷ Average Rating Factors in Projection Period</u> | <u>1.3849</u> | Exhibit H |
| 15) = Base Rate (Average Plan-Level - Age 21 - Non-Tobacco) | \$ 277.06 | = (13) ÷ (14) |
| 16) Projected Loss Ratio (Conventional Basis) | 80.5% | = [(10) + (11)] ÷ (13) |

NOTES:

{1} Equivalent to PMPM expenses on Exhibit G + % of premium expenses on Exhibit G applied to Required Premium (Row 13 above).

Exhibit B - Claims Experience for Manual Rate Development

HMO Colorado, Inc.
Small Group

Incurred November 1, 2011 through October 31, 2012

Paid through December 31, 2012

PPO, HMO, Traditional and Anthem Essential Small Group In-Area Business:

| PAID CLAIMS: | | | | | | | | | | |
|---------------------------|---------------|--------------|-----------|------------------------|---------------|------------|-----------------|---------|-------|--------|
| Incurred and Paid Claims: | | IBNR: | | Fully Incurred Claims: | | | Total | Member | Total | |
| Medical | Drug | Medical | Drug | Medical | Drug | Capitation | Benefit Expense | Months | PMPM | |
| \$ 171,882,362 | \$ 34,044,979 | \$ 3,556,956 | \$ 20,767 | \$ 175,439,318 | \$ 34,065,746 | \$ 9,271 | \$ 209,514,335 | 704,886 | \$ | 297.23 |

| ALLOWED CLAIMS: | | | | | | | | | | |
|---------------------------|---------------|--------------|-----------|------------------------|---------------|------------|-----------------|---------|-------|--------|
| Incurred and Paid Claims: | | IBNR: | | Fully Incurred Claims: | | | Total | Member | Total | |
| Medical | Drug | Medical | Drug | Medical | Drug | Capitation | Benefit Expense | Months | PMPM | |
| \$ 222,898,652 | \$ 50,145,533 | \$ 4,473,670 | \$ 28,894 | \$ 227,372,322 | \$ 50,174,427 | \$ 9,271 | \$ 277,556,020 | 704,886 | \$ | 393.76 |

Exhibit C - Normalization Factors

HMO Colorado, Inc.
Small Group

Experience Period: November 1, 2011 through October 31, 2012

| Normalize to population expected in 2014 | | | |
|---|------------------------------|-------------------|---------------|
| Average claim factors based on future population as compared to experience period population: | | | |
| | Average Claim Factors | | Normalization |
| | Experience Period Population | Future Population | Factor |
| Age/Gender | 1.0186 | 1.0191 | 1.0005 |
| Area/Network | 0.9891 | 0.8789 | 0.8886 |
| Benefit Plan | 0.9011 | 0.9008 | 0.9997 |
| Total | 0.9078 | 0.8068 | 0.8888 |

Exhibit D - Projection Period Adjustments

HMO Colorado, Inc. Small Group

Impact of Changes Between Experience Period and Projection Period:

| | <u>Adjustment Factor</u> |
|------------------------------------|--------------------------|
| <u>Benefit changes</u> | |
| Preventive Rx (over the counter) | 1.0006 |
| Eliminate Pre-Ex | 1.0000 |
| <u>Rx Adjustments {1}</u> | <u>0.9431</u> |
| Total Benefit Changes | 0.9437 |
| <u>Morbidity changes</u> | |
| Total Morbidity Changes | 0.9789 |
| <u>Cost of care impacts</u> | |
| Annual Medical/Rx Trend Rate | 10.1% |
| # Months of Projection | 27 |
| Trend Factor | 1.2426 |

NOTES:

{1} Adjusted for differences in the Rx formulary and impacts for moving drugs into different tiers in the projection period relative to what is reflected in the base experience data.

Exhibit E - Other Claim Adjustments

HMO Colorado, Inc. Small Group

| <i>Adjustments to projection period claims to reflect covered benefits not included in experience period data:</i> | |
|--|--------------------|
| | <u>PMPM</u> |
| Rx Rebates | (\$2.52) |
| Pediatric Dental | \$0.08 |
| Pediatric Vision | \$0.14 |
| <u>Additional Non-EHBs {1}</u> | <u>\$2.82</u> |
| Total | \$0.52 |

NOTES:

{1} The 'Additional Non-EHBs' adjustment above reflects ONLY additional costs beyond those already captured in line Item 8 of Exhibit A. Line Item 8 of Exhibit A includes \$1.49 of embedded Non-EHB medical costs resulting from inclusion in the experience data and/or the normalization process.

Exhibit F - Risk Adjustment and Reinsurance - Contributions and Payments

HMO Colorado, Inc.
Small Group
Effective January 1, 2014

| | | | | | |
|--|---|---|--|--|--|
| <u>Risk Adjustment:</u> | | | | | |
| Description | Transfers funds from lowest risk plans to highest risk plans | | | | |
| Participants | Non-Grandfathered Individual and Small Group plans (inside and outside Exchange) are eligible | | | | |
| PMPM | Net Transfer | | | | |
| Federal Program | \$0.00 | | | | |
| | <u>Note:</u> | It is assumed the risk for the plans included in this rate filing is no better/worse than any other plans within this market. | | | |
| <u>Reinsurance:</u> | | | | | |
| Description | Provides funding to plans that enroll highest cost individuals | | | | |
| Participants | All insurance issuers and TPAs contribute funds | | | | |
| | Non-Grandfathered Individual plans (inside and outside Exchange) are eligible for payments | | | | |
| PMPM | Contributions Made | Expected Payments | | | |
| Federal Program | \$5.10 | \$0.00 | <i>Small Group Plans contribute funds but only Individual Plans are eligible to receive payments</i> | | |
| | <u>Source:</u> | HHS estimates a national per capita contribution rate of \$5.25 per month (\$63 per year) in benefit year 2014 and \$3.50 per month (\$42 per year) in 2015 (per Payment Parameter Rule). | | | |
| Grand Total of All Risk Mitigation Programs | | | \$5.10 | | |

NOTES:

$\$5.10 = \$5.25 * (11 \text{ months}/12\text{months}) + \$3.50 * (1 \text{ months}/12 \text{ months})$

\$5.25 = 2014 contribution

\$3.50 = 2015 contribution

Exhibit G - Non-Benefit Expenses and Profit & Risk

HMO Colorado, Inc. Small Group

| | <u>PMPM</u> | <u>% Premium</u> |
|-----------------------------|----------------|------------------|
| Administrative Costs | \$18.88 | |
| Quality Improvement Expense | \$2.83 | |
| Selling Expense | \$16.34 | |
| ACA Related Fees: | | |
| PCORI Fee | \$0.17 | |
| Risk Adjustment User Fee | \$0.08 | |
| ACA Insurer Fee | | 2.67% |
| Exchange User Fee | | 0.55% |
| Premium Tax | | 0.00% |
| Federal/State Taxes | | 2.38% |
| Profit (Post-Tax) | | 3.92% |
| Total | \$38.30 | 9.52% |

Exhibit H - Average 2014 Rating Factors

HMO Colorado, Inc.
Small Group

Effective January 1, 2014

| <i>Average 2014 rating factors for 2014 population:</i> | |
|---|------------------------------|
| | Average Rating Factor |
| Age/Tobacco | 1.3846 |
| Area/Benefit Plan | 1.0002 |
| Total | 1.3849 |

NOTES:

The developed base rate is reduced by the overall average rating factor shown above.
See Line Item 14 on Exhibit A.

Exhibit I - Non-Grandfathered Benefit Plan Factors

HMO Colorado, Inc.
Small Group
Effective January 1, 2014

| On-Exchange Plans: | | | |
|--------------------|--|--------------------|--------------------|
| <u>Metal Level</u> | <u>HIOS Standard Component Plan ID</u> | <u>Network</u> | <u>Plan Factor</u> |
| Catastrophic | | | |
| Bronze | 76680CO0230003 | Highly Aligned HMO | 0.7765 |
| Silver | 76680CO0230001 | Highly Aligned HMO | 0.9416 |
| Gold | 76680CO0230002 | Highly Aligned HMO | 1.2125 |
| Platinum | | | |

| Off-Exchange Plans: | | | |
|---------------------|--|--------------------|--------------------|
| <u>Metal Level</u> | <u>HIOS Standard Component Plan ID</u> | <u>Network</u> | <u>Plan Factor</u> |
| Catastrophic | | | |
| Bronze | 76680CO0240027 | Blue Priority HMO | 0.8918 |
| | 76680CO0240029 | Blue Priority HMO | 0.8222 |
| | 76680CO0240028 | Blue Priority HMO | 0.8918 |
| Silver | 76680CO0240018 | Highly Aligned HMO | 0.9520 |
| | 76680CO0240022 | Highly Aligned HMO | 0.9276 |
| | 76680CO0240025 | Highly Aligned HMO | 0.9817 |
| | 76680CO0240026 | Highly Aligned HMO | 1.0624 |
| | 76680CO0240008 | Blue Priority HMO | 0.9890 |
| | 76680CO0240009 | Blue Priority HMO | 0.9520 |
| | 76680CO0240013 | Blue Priority HMO | 0.9869 |
| | 76680CO0240014 | Blue Priority HMO | 1.0285 |
| | 76680CO0240015 | Blue Priority HMO | 1.0639 |
| | 76680CO0240030 | Highly Aligned HMO | 0.9387 |
| | 76680CO0240031 | Highly Aligned HMO | 0.9659 |
| | 76680CO0240021 | Highly Aligned HMO | 0.9868 |
| Gold | 76680CO0240002 | Blue Priority HMO | 1.1449 |
| | 76680CO0240020 | Highly Aligned HMO | 1.1641 |
| | 76680CO0240023 | Highly Aligned HMO | 1.1665 |
| | 76680CO0240005 | Blue Priority HMO | 1.1633 |
| | 76680CO0240007 | Blue Priority HMO | 1.2095 |
| | 76680CO0240016 | Highly Aligned HMO | 1.2280 |
| | 76680CO0240001 | Highly Aligned HMO | 1.2125 |
| Platinum | | | |

NOTES:

Benefit Plan Factors above reflect plan by plan differences from the index rate for allowable adjustments as described in detail in the Market Reform and Payment Parameters Regulations and illustrated in Exhibit P. The weighted average of these adjustments for the entire risk pool included in this rate filing is detailed in Exhibit H.

Exhibit J - Age Factors

HMO Colorado, Inc.
Small Group
Effective January 1, 2014

| Age | Rating Factor |
|-------|---------------|
| 0-20 | 0.635 |
| 21-24 | 1.000 |
| 25 | 1.004 |
| 26 | 1.024 |
| 27 | 1.048 |
| 28 | 1.087 |
| 29 | 1.119 |
| 30 | 1.135 |
| 31 | 1.159 |
| 32 | 1.183 |
| 33 | 1.198 |
| 34 | 1.214 |
| 35 | 1.222 |
| 36 | 1.230 |
| 37 | 1.238 |
| 38 | 1.246 |
| 39 | 1.262 |
| 40 | 1.278 |
| 41 | 1.302 |
| 42 | 1.325 |
| 43 | 1.357 |
| 44 | 1.397 |
| 45 | 1.444 |
| 46 | 1.500 |
| 47 | 1.563 |
| 48 | 1.635 |
| 49 | 1.706 |
| 50 | 1.786 |
| 51 | 1.865 |
| 52 | 1.952 |
| 53 | 2.040 |
| 54 | 2.135 |
| 55 | 2.230 |
| 56 | 2.333 |
| 57 | 2.437 |
| 58 | 2.548 |
| 59 | 2.603 |
| 60 | 2.714 |
| 61 | 2.810 |
| 62 | 2.873 |
| 63 | 2.952 |
| 64+ | 3.000 |

Exhibit K - Tobacco Factors

HMO Colorado, Inc.
Small Group
Effective January 1, 2014

| Age | Rating Factor |
|------|---------------|
| 0-20 | 1.0000 |
| 21+ | 1.1000 |

Exhibit L - Area Factors

HMO Colorado, Inc.

Small Group

Effective January 1, 2014

| Rating Area Description | Highly Aligned HMO Network | Blue Priority HMO Network |
|--------------------------|-------------------------------|------------------------------|
| 1 - Boulder MSA | 0.9450 | |
| 2 - Colorado Springs MSA | 0.9057 | 0.9057 |
| 3 - Denver MSA | 0.9648 | 0.9648 |
| 4 - Fort Collins MSA | 1.0166 | |
| 5 - Grand Junction MSA | 1.0814 | |
| 6 - Greeley PMSA | 1.0788 | |
| 7 - Pueblo MSA | 1.0132 | |
| 8 - SE Non-MSA | 1.0631 | |
| 9 - NE Non-MSA | 1.3468 | |
| 10 - West Non-MSA | 1.2114 | |
| 11 - Resort Non-MSA | 1.4870 | |

Exhibit M - Sample Rate Calculation

HMO Colorado, Inc.
Small Group

Group Name: Sample Group
Effective Date: 1/1/2014
On/Off Exchange: On
Metal Level: Silver
Plan: 76680CO0230001
Rating Area: 3 - Denver MSA
Network: Highly Aligned HMO

Group Census:

| | Employee | Spouse | Number of | Child #1 | Child #2 | Child #3 | Child #4 | Tobacco User? | | | | | |
|--------------|----------|--------|-----------|----------|----------|----------|----------|---------------|--------|----------|----------|----------|----------|
| | Age | Age | Children | Age | Age | Age | Age | Employee | Spouse | Child #1 | Child #2 | Child #3 | Child #4 |
| Employee #1 | 24 | 23 | 1 | 0 | | | | Yes | No | No | | | |
| Employee #2 | 26 | | | | | | | No | | | | | |
| Employee #3 | 28 | | | | | | | No | | | | | |
| Employee #4 | 32 | 33 | | | | | | Yes | No | | | | |
| Employee #5 | 30 | | 2 | 2 | 4 | | | No | | No | No | | |
| Employee #6 | 45 | 45 | 3 | 18 | 15 | 12 | | No | No | No | No | No | |
| Employee #7 | 53 | 55 | | | | | | Yes | Yes | | | | |
| Employee #8 | 41 | | 4 | 16 | 13 | 5 | 4 | No | | No | No | No | No |
| Employee #9 | 56 | | | | | | | No | | | | | |
| Employee #10 | 40 | | 1 | 25 | | | | No | | Yes | | | |
| Employee #11 | 62 | | | | | | | No | | | | | |
| Employee #12 | 64 | 64 | | | | | | No | No | | | | |

Calculation of Monthly Premium:

Base Rate = \$ 277.06 Exhibit A
x Benefit Plan Factor 0.9416 Exhibit I
x Area Factor 0.9648 Exhibit L
Base Rate Adjusted for Plan/Area = \$ 251.71

Age/Tobacco Factors:

Exhibit J and Exhibit K

| | Employee | | Spouse | | Child #1 | | Child #2 | | Child #3 | | Child #4 | |
|--------------|------------|----------------|------------|----------------|------------|----------------|------------|----------------|------------|----------------|------------|----------------|
| | Age Factor | Tobacco Factor | Age Factor | Tobacco Factor | Age Factor | Tobacco Factor | Age Factor | Tobacco Factor | Age Factor | Tobacco Factor | Age Factor | Tobacco Factor |
| Employee #1 | 1.000 | 1.10 | 1.000 | 1.00 | 0.635 | 1.00 | | | | | | |
| Employee #2 | 1.024 | 1.00 | | | | | | | | | | |
| Employee #3 | 1.087 | 1.00 | | | | | | | | | | |
| Employee #4 | 1.183 | 1.10 | 1.198 | 1.00 | | | | | | | | |
| Employee #5 | 1.135 | 1.00 | | | 0.635 | 1.00 | 0.635 | 1.00 | | | | |
| Employee #6 | 1.444 | 1.00 | 1.444 | 1.00 | 0.635 | 1.00 | 0.635 | 1.00 | 0.635 | 1.00 | | |
| Employee #7 | 2.040 | 1.10 | 2.230 | 1.10 | | | | | | | | |
| Employee #8 | 1.302 | 1.00 | | | 0.635 | 1.00 | 0.635 | 1.00 | 0.635 | 1.00 | 0.000 | 0.00 |
| Employee #9 | 2.333 | 1.00 | | | | | | | | | | |
| Employee #10 | 1.278 | 1.00 | | | 1.004 | 1.10 | | | | | | |
| Employee #11 | 2.873 | 1.00 | | | | | | | | | | |
| Employee #12 | 3.000 | 1.00 | 3.000 | 1.00 | | | | | | | | |

Final Monthly Premium PMPM:

| | Employee | Spouse | Children | Total |
|--------------|-----------|-----------|-----------|-------------|
| Employee #1 | \$ 276.88 | \$ 251.71 | \$ 159.84 | \$ 688.43 |
| Employee #2 | \$ 257.75 | | | \$ 257.75 |
| Employee #3 | \$ 273.61 | | | \$ 273.61 |
| Employee #4 | \$ 327.55 | \$ 301.55 | | \$ 629.10 |
| Employee #5 | \$ 285.69 | | \$ 319.67 | \$ 605.36 |
| Employee #6 | \$ 363.47 | \$ 363.47 | \$ 479.51 | \$ 1,206.45 |
| Employee #7 | \$ 564.84 | \$ 617.44 | | \$ 1,182.28 |
| Employee #8 | \$ 327.73 | | \$ 479.51 | \$ 807.24 |
| Employee #9 | \$ 587.24 | | | \$ 587.24 |
| Employee #10 | \$ 321.69 | | \$ 277.99 | \$ 599.68 |
| Employee #11 | \$ 723.16 | | | \$ 723.16 |
| Employee #12 | \$ 755.13 | \$ 755.13 | | \$ 1,510.26 |

NOTES:

- [1] As per the Market Reform Rule, when computing family premiums no more than the three oldest covered children under the age of 21 are taken into account whereas the premiums associated with each child age 21+ are included.
- [2] This sample calculation ignores the tobacco offset under a Wellness Program as described in the Market Reform Rule.
- [3] Minor rate variances may occur due to differences in rounding methodology.

Exhibit N - Federal MLR Estimated Calculation

HMO Colorado, Inc.
Small Group

Numerator:

| | | |
|---|-----------------|-----------|
| Incurred Claims | \$303.77 | Exhibit A |
| + Quality Improvement Expense | \$2.83 | Exhibit G |
| + Risk Corridor Contributions | \$0.00 | |
| + Risk Adjustment Contributions | \$0.00 | Exhibit F |
| - Reinsurance Receipts | \$0.00 | Exhibit F |
| - Risk Corridor Receipts: | \$0.00 | |
| <u>- Risk Adjustment Receipts:</u> | <u>\$0.00</u> | Exhibit F |
| = <i>Estimated</i> Federal MLR Numerator | \$306.60 | |

Denominator:

| | | |
|---|-----------------|-----------|
| Premiums | \$383.70 | Exhibit A |
| - Federal and State Taxes | \$9.12 | Exhibit G |
| - Premium Taxes | \$0.00 | Exhibit G |
| - Reinsurance Contributions | \$5.10 | Exhibit F |
| - <u>Licensing and Regulatory Fees</u> | <u>\$12.61</u> | Exhibit G |
| = <i>Estimated</i> Federal MLR Denominator | \$356.87 | |

| | |
|-------------------------------------|---------------|
| <i>Estimated</i> Federal MLR | 85.91% |
|-------------------------------------|---------------|

NOTES:

The above calculation is purely an estimate and not meant to be compared to the minimum MLR benchmark for federal/state MLR rebate purposes:

- 1) The above calculation represents only the products in this filing. Federal MLR will be calculated at the legal entity and market level.
- 2) Not all numerator/denominator components are captured above (for example, third party vendors excess reimbursement, fraud and prevention program costs, payroll taxes, assessments for state high risk pools etc.).
- 3) Other adjustments may also be applied within the federal MLR calculation such as 3-year averaging, new business, credibility, deductible and dual option. These are ignored in the above calculation.
- 4) Licensing and Regulatory Fees include ACA-related fees as allowed under the MLR Final Rule

Exhibit O - Projected Index Rate Development

Effective January 1, 2014

HMO Colorado, Inc.
Small Group

| | | | |
|---|----|-----------------|---------------------------------------|
| 1) Projected Paid Claim Cost | \$ | 303.25 | Exhibit A, Line Item 8 |
| 2) <u>- Non-EHBs Embedded in Line Item 1) Above</u> | | <u>\$1.49</u> | Exhibit E (see footnote in Exhibit E) |
| 3) = Projected Paid Claims, Excluding ALL Non-EHBs | \$ | 301.76 | |
| 4) + Rx Rebates | | (\$2.52) | Exhibit E |
| 5) <u>+ Additional EHBs {1}</u> | | <u>\$0.22</u> | Exhibit E |
| 6) = Projected Paid Claims Reflecting <i>only</i> EHBs | \$ | 299.46 | |
| 7) <u>÷ Paid to Allowed Ratio</u> | | <u>0.6968</u> | |
| 8) = Projected Allowed Claims Reflecting <i>only</i> EHBs | | \$429.78 | = Index Rate |

NOTES:

{1} Pediatric Dental and Pediatric Vision

Exhibit P - Development of Required Premium from Index Rate

Effective January 1, 2014

HMO Colorado, Inc. Small Group

| | <u>Weighted Average for Risk Pool</u> | |
|---|---|--|
| 1) Index Rate | \$429.78 | Exhibit O |
| 2) <u>x Paid to Allowed Ratio</u> | <u>0.6968</u> | Exhibit O |
| 3) = Projected Paid Claims Reflecting <i>only</i> EHBs | \$299.46 | |
| <u>Allowable Index Rate Adjustments {1} {2}:</u> | | |
| 4) x Benefit Adjustments | 1.0000 | |
| 5) + Non-EHBs | \$4.31 | Exhibit E and Exhibit O |
| 6) x Catastrophic Adjustment | 1.0000 | |
| 7) x Network Adjustment | 1.0000 | |
| 8) + Risk Mitigation - Contributions and Payments | \$5.10 | Exhibit F |
| 9) <u>+ Selling Expense, Administration and Other Retention Items</u> | <u>\$74.83</u> | Exhibit G (also see Exhibit A, Line item 12) |
| 10) = Required Premium in Projection Period | \$383.70 | Ties to Exhibit A, Line item 13 |

NOTES:

- {1} Allowable adjustments to the index rate as made above are in accordance with the Market Reform and Payment Parameters Regulations.
- {2} The above illustrates the allowable adjustments to the average single risk pool index rate as included in this rate filing. These adjustments may vary on a plan by plan basis and such variances are captured in the benefit plan factors as summarized in Exhibit I.
- {3} Plan-level rates are obtained by multiplying the base rate as shown in line item 15 of Exhibit A by the benefit plan factors illustrated in Exhibit I. Further allowable adjustments (age, tobacco and area) are applied to arrive at final premium rates.

Exhibit Q - Quarterly Index and Base Rate

HMO Colorado, Inc. Small Group

| | Rates Effective: | | | | |
|-------------------------|------------------|-----------|-----------|-----------|-----------|
| | 1Q14 | 2Q14 | 3Q14 | 4Q14 | Wtd Avg |
| Renewing Member Months | 281,954 | 105,733 | 105,733 | 211,466 | 704,886 |
| Quarterly Allowed Trend | | 2.2% | 2.2% | 2.1% | |
| Index Rate | \$429.78 | \$ 439.02 | \$ 448.46 | \$ 457.99 | \$ 442.43 |
| Quarterly Paid Trend | | 2.4% | 2.4% | 2.4% | |
| Base Rate | \$ 277.06 | \$ 283.79 | \$ 290.72 | \$ 297.78 | |

NOTES:

{1} The 1Q14 index rate was derived in Exhibit O.

{2} The 1Q14 index rate is assumed to increase with quarterly allowed trend as illustrated above.

{3} The 1Q14 base rate was derived in Exhibit A.

{4} The 1Q14 base rate is assumed to increase with quarterly paid trend as illustrated above. This trend rate differs from the index rate trend in that it includes anticipated changes for non-EHBs, deductible leveraging, fees, and risk mitigation programs.

{5} Minor rate variances may occur due to differences in rounding methodology.

Exhibit R - Terminated Products

HMO Colorado, Inc. Small Group

Following are the products that will be terminated prior to the effective date:

This includes products that have experience included in the URRT during the experience period and any products that were not in effect during the experience period but were made available thereafter.

HIOS Product ID

HIOS Product Name

{1} Note: as each HIOS Product ID covers grandfathered along with non-grandfathered plans, product terminations are not applicable

Exhibit A - Base Rate Development

Effective January 1, 2014

HMO Colorado, Inc. Small Group

| | <u>PMPM</u> | <u>Annual Total</u> | |
|--|------------------|----------------------|-------------------------------|
| 0) Expected Annual 2014 Membership | 5,100 | 61,200 | |
| 1) Experience Period Cost PMPM | \$ 297.23 | \$ 18,190,476 | Exhibit B |
| 2) <u>x Normalization Factor</u> | <u>0.8888</u> | <u>0.8888</u> | Exhibit C |
| 3) = Normalized Claims | \$ 264.18 | \$ 16,167,695 | = (1) x (2) |
| 4) x Benefit Changes | 0.9437 | 0.9437 | Exhibit D |
| 5) x Morbidity Changes | 0.9789 | 0.9789 | Exhibit D |
| 6) x Trend Factor | 1.2426 | 1.2426 | Exhibit D |
| 7) <u>x Other Cost of Care Impacts</u> | <u>1.0000</u> | <u>1.0000</u> | Exhibit D |
| 8) = Projected Claim Cost | \$ 303.25 | \$ 18,558,879 | = (3) x (4) x (5) x (6) x (7) |
| 9) + Other Claim Impacts | \$0.52 | \$31,824 | Exhibit E |
| 10) = Claims Projected to Projection Period | \$ 303.77 | \$ 18,590,703 | = (8) + (9) |
| 11) + Risk Mitigation - Contributions and Payments | \$5.10 | \$312,120 | Exhibit F |
| 12) <u>+ Selling Expense, Administration and Other Retention Items</u> | <u>\$74.83</u> | <u>\$4,579,596</u> | Exhibit G |
| 13) = Required Premium in Projection Period | \$ 383.70 | \$ 23,482,419 | = (10) + (11) + (12) |
| 14) <u>÷ Average Rating Factors in Projection Period</u> | <u>1.3849</u> | <u>1.3849</u> | Exhibit H |
| 15) = Base Rate (Average Plan-Level - Age 21 - Non-Tobacco) | \$ 277.06 | \$ 16,956,322 | = (13) ÷ (14) |
| 16) Projected Loss Ratio (Conventional Basis) | 80.5% | 80.5% | = [(10) + (11)] ÷ (13) |

{1} Due to differences in intermediate rounding, PMPMs derived from the Annual Total column may vary from the figures in the PMPM column by \$0.01 at most.

ACTUARIAL MEMORANDUM

General Information

- Company Identifying Information

| | |
|---------------------|--------------------|
| Company Legal Name: | HMO Colorado, Inc. |
| State: | Colorado |
| HIOS Issuer ID: | 76680 |
| Market: | Small Group |
| Effective Date: | January 1, 2014 |

- Company Contact Information

| | |
|-----------------------------------|-----------------------------|
| Primary Contact Name: | Steve Spelshaus |
| Primary Contact Telephone Number: | (303) 831-2073 |
| Primary Contact Email Address: | Steven.Spelshaus@anthem.com |

A. Summary

1. Reason for rate filing: The purpose of this rate filing is to establish new product rates that are reasonable relative to the benefits provided and to demonstrate compliance with state laws and provisions of the Affordable Care Act (ACA). The rates will be in-force for effective dates on or after January 1, 2014. Subsequent rate changes will be implemented quarterly as discussed in more detail in Section R. Unified Rate Review Template Index Rate. These rates will apply to plans offered both On-Exchange and Off-Exchange. This rate filing is not intended to be used for other purposes.
2. Requested rate action: Not applicable as this filing is for new products.
3. Marketing method(s): The Non-Grandfathered forms are marketed by Connect for Health Colorado for Colorado's Health Insurance Exchange, and by direct mail, telemarketing, internet, or broker/agents for off Exchange.
4. Premium classification: Premiums at the member level are determined by multiplying the base rate by the applicable factor for each of the allowable rating criteria: age, tobacco, area, and benefit plan. An example of this calculation is shown in Exhibit M - Sample Rate Calculation.
5. Product Descriptions: Filed products provide Inpatient Hospital, Outpatient Hospital, Professional, Other Medical, Capitation, and Prescription Drug coverage for essential health benefits (EHBs). The methodology used to determine these benefit categories, which are found in Worksheet 1, Section II of the Unified Rate Review Template, is as follows:

- Inpatient Hospital: Includes non-capitated facility services for medical, surgical, maternity, mental health and substance abuse, skilled nursing, and other services provided in an inpatient facility setting and billed by the facility.
- Outpatient Hospital: Includes non-capitated facility services for surgery, emergency room, lab, radiology, therapy, observation and other services provided in an outpatient facility setting and billed by the facility.
- Professional: Includes non-capitated primary care, specialist, therapy, the professional component of laboratory and radiology, and other professional services, other than hospital based professionals whose payments are included in facility fees.
- Other Medical: Includes non-capitated ambulance, home health care, DME, prosthetics, supplies, vision exams, dental services and other services.
- Capitation: Includes all services provided under one or more capitated arrangements.
- Prescription Drug: Includes drugs dispensed by a pharmacy and rebates received from drug manufacturers.

Some plans provide coverage for benefits in excess of the essential health benefits. These are described in Section R. Unified Rate Review Template Index Rate. Inconsistencies between Colorado-mandated and Center for Consumer Information and Insurance Oversight (CCIIO) listed EHBs are addressed in Section D. Effect of Law Changes.

| | |
|---------------------------|---|
| 6. Policy Form Number(s): | EOC_ENG_HMOCOLORADO_76680CO0230003_20140101 |
| | EOC_ENG_HMOCOLORADO_76680CO0230001_20140101 |
| | EOC_ENG_HMOCOLORADO_76680CO0230002_20140101 |
| | EOC_ENG_HMOCOLORADO_76680CO0240027_20140101 |
| | EOC_ENG_HMOCOLORADO_76680CO0240029_20140101 |
| | EOC_ENG_HMOCOLORADO_76680CO0240028_20140101 |
| | EOC_ENG_HMOCOLORADO_76680CO0240018_20140101 |
| | EOC_ENG_HMOCOLORADO_76680CO0240022_20140101 |
| | EOC_ENG_HMOCOLORADO_76680CO0240025_20140101 |
| | EOC_ENG_HMOCOLORADO_76680CO0240026_20140101 |
| | EOC_ENG_HMOCOLORADO_76680CO0240008_20140101 |
| | EOC_ENG_HMOCOLORADO_76680CO0240009_20140101 |
| | EOC_ENG_HMOCOLORADO_76680CO0240013_20140101 |
| | EOC_ENG_HMOCOLORADO_76680CO0240014_20140101 |
| | EOC_ENG_HMOCOLORADO_76680CO0240015_20140101 |
| | EOC_ENG_HMOCOLORADO_76680CO0240030_20140101 |
| | EOC_ENG_HMOCOLORADO_76680CO0240031_20140101 |
| | EOC_ENG_HMOCOLORADO_76680CO0240021_20140101 |
| | EOC_ENG_HMOCOLORADO_76680CO0240002_20140101 |
| | EOC_ENG_HMOCOLORADO_76680CO0240020_20140101 |
| | EOC_ENG_HMOCOLORADO_76680CO0240023_20140101 |
| | EOC_ENG_HMOCOLORADO_76680CO0240005_20140101 |
| | EOC_ENG_HMOCOLORADO_76680CO0240007_20140101 |
| | EOC_ENG_HMOCOLORADO_76680CO0240016_20140101 |

7. Age Basis: Premiums are charged on a renewal age basis.
8. Renewability Provision: The products are guaranteed renewable.

B. Assumption, Acquisition, or Merger

The products included in the rate filing are not part of an assumption or acquisition of policies from another company.

C. Rating Period

The rating period effective date is January 1, 2014.

D. Effect of Law Changes

The effect on rates, expenses, and medical costs from changes in federal and state regulation is explained in Section I. Complete Explanation as to How Proposed Rates were Determined.

To the best of Anthem's knowledge and current understanding, this filing complies with the most recent regulations and related guidance. Anthem's intention is to fully comply with all applicable laws and guidance; however, the regulatory framework continues to change and evolve rapidly. To the extent relevant rules or guidance on the rules are updated or changed, amendments to this filing may be required.

• Colorado Essential Health Benefits

The following list comprises Colorado-mandated EHBs that do not appear on CCIIO's website for Colorado. Each was mapped to existing benefit categories in the Plan and Benefits Template (PBT), according to the benefit information in the Schedule of Benefits.

- Anesthetics – Outpatient Surgery (PBT row 65), Inpatient Physician Surgical Services (PBT row 78)
- Autism Spectrum Disorders – Outpatient Rehabilitation Services (PBT row 92), Habilitation Services (PBT row 93)
- Breast Reconstructive Surgery – Reconstructive Surgery (PBT row 128)
- Cardiac Rehabilitation – Outpatient Rehabilitation Services (PBT row 92)
- Contraceptive Services – Preventive Care/Screenings/Immunizations (PBT row 98)
- Hearing Exams – Preventive Care/Screenings/Immunizations (PBT row 98)
- Pulmonary Rehabilitation – Outpatient Rehabilitation Services (PBT row 92)
- Smoking Cessation Program – Preventive Care/Screenings/Immunizations (PBT row 98)

Additional information on the methodology used to classify each EHB can be found in the Plan and Benefit Template's Column K - Explanation.

E. Rate History

New product filing; this section is not applicable.

F. Coordination of Benefits

Claims experience can be found in Exhibit B - Claims Experience for Manual Rate Development. The allowed claims do not include coordination of benefits amounts.

G. Relation of Benefits to Premium

Non-Benefit expenses are detailed in Exhibit G - Non-Benefit Expenses and Profit & Risk.

- Administrative Expense

Administrative Expenses are expected to be consistent with historical levels and are developed utilizing the same methodology as previous filings, they are not varied by product or plan. Maintenance costs are assumed to be flat on a per member basis with savings from administrative efficiencies and the elimination of underwriting offset by new expenses for risk management and regulatory compliance.

- Quality Improvement Expense

The quality improvement expense represents Anthem's dedication to providing the highest standard of customer care and consistently seeking to improve health care quality, outcomes and value in a cost efficient manner.

- Selling Expense

Selling Expense represents broker commissions and bonuses associated with the broker distribution channel using historical and projected commission levels. Commissions will be paid On-Exchange and Off-Exchange.

- Taxes and Fees

- Patient-Centered Outcomes Research Institute (PCORI) Fee: The PCORI fee is a federally-mandated fee designed to help fund the Patient-Centered Outcomes Research Trust Fund. For plan years ending before October 1, 2014, the fee is \$2 per member per year. Thereafter, for every plan year ending before October 1, 2019, the fee will increase by the percentage increase in National Healthcare Expenditures.
- Risk Adjustment Fee: The Risk Adjustment fee is a user fee to support the administration of the HHS operated Risk Adjustment program. The charge is \$1 per enrollee per year.
- ACA Insurer Fee: The health insurance industry will be assessed a permanent fee, based on market share of net premium, which is not tax deductible.

- Exchange Fee: The Exchange User Fee applies to Exchange business only, but the cost is spread across all Small Group plans. It is a blended fee based on the assumed percentage of members that will purchase products On-Exchange and Off-Exchange.
- Federal, state, and premium taxes are also included in the retention items.

Retention loads for profit and contingencies and investment income are addressed in Section H. Provision for Profit and Contingencies.

Actual retention components may differ from the original proposed retention due to variation in actual premiums collected and claims or expenses incurred from projected levels. Also, administrative expenses are allocated across Anthem lines of business by membership, which may not recognize the true cost differences among these lines. Specifically, the proposed administrative expense component, as a percent of premium, is higher than actual experience in the previous two calendar years primarily due to declining membership, which results in increased administrative costs per remaining member, and increased Information Technology and systems costs required to implement Health Care Reform regulations.

H. Provision for Profit and Contingencies

Non-Benefit expenses are detailed in Exhibit G - Non-Benefit Expenses and Profit & Risk.

- Profit

Profit is reflected on a post-tax basis as a percent that does not vary by product or plan.

- Investment Income

Due to expected low, short-term interest rates, investment income from unearned reserves is immaterial to rate development and is excluded from the desired loss ratio.

I. Complete Explanation as to How Proposed Rates were Determined

Consistent with the Department of Health and Human Service's instructions for the Actuarial Memorandum and Certification, this section provides both an overview of the base rate determination (sub-section "Description of How the Base Rate is Determined") and a detailed description of rate development (sub-section "Credibility Manual Rate Development"). Index rate development is discussed in Section R. Unified Rate Review Template Index Rate.

Description of How the Base Rate is Determined

- Small Group manual rates are developed based on historical experience of Grandfathered and Non-Grandfathered business.
- The experience data is normalized to reflect anticipated changes in age/gender, area/network and benefit plan from the experience period to the projection period based on expected distribution of membership.

- The projected claims cost is calculated by adjusting the normalized claims for the impact of benefit changes, population morbidity, trend factors, other cost of care impacts and other claim adjustments.
- The projection period is February 1, 2014 - January 31, 2015. Small Group Business renews on a quarterly basis; therefore the middle month of the first quarter is February 2014.
- Adjustments for risk adjustment and reinsurance are applied to the projected claims cost.
- Non-benefit expenses, profit, and risk are applied to the projected claims cost to determine the required projection period premium.
- The average rating factors in the projection period are applied to the projection period premium to determine the base rate.
- The base rate represents an average benefit plan and area for an age 21 non-tobacco user in Colorado.

Credibility Manual Rate Development

Experience developed and projected herein is Anthem's Small Group Business based on plan liability amounts. The rate development is shown in Exhibit A - Base Rate Development.

• Source and Appropriateness of Experience Data Used

The source data underlying the development of the manual rate consists of claims for all Grandfathered and Non-Grandfathered Small Group business, incurred during the period November 1, 2011 – October 31, 2012 and paid through December 31, 2012. Completion factors are then calculated to reflect additional months of runout after December 31, 2012. Anthem expects a large portion of the Grandfathered Small Group policyholders to migrate to ACA-compliant policies prior to and during the projection period.

Other than completing the incurred claims, no further explicit adjustments are made to the experience data.

For more detail, see Exhibit B - Claims Experience for Manual Rate Development.

• Adjustments Made to the Data

The development of the claims projected to the projection period is summarized in Exhibit A - Base Rate Development, items (1) - (10), and described in detail below.

The projected claims cost is calculated by multiplying the normalized claims cost by the impact of benefit changes, anticipated changes in population morbidity, and cost of care impacts. The adjustments are described below, and the factors are presented in Exhibit D - Projection Period Adjustments.

Changes in Demographics (Normalization)

The source data was normalized to reflect anticipated changes in age/gender, area/network and benefit plan from the experience period to the projection period. The purpose of these factors is to adjust current experience to be reflective of expected claim experience in the projection period. See Section U. Membership Projections for additional information on membership movement. The normalization factors and their aggregate impact on the underlying experience data are detailed in Exhibit C - Normalization Factors.

- Age/Gender: The assumed claims cost is applied by age and gender to the experience period distribution and the projection period distribution.
- Area/Network: The area claims factors are developed based on an analysis of Small Group and Individual allowed claims by network, mapped to the prescribed 2014 rating areas using 5-digit zip code.
- Benefit Plan: The experience period claims are normalized to an average 2014 plan using benefit relativities. The benefit relativities include the value of cost shares and anticipated changes in utilization due to the difference in average cost share requirements.

Changes in Benefits

Benefit changes include the following:

- Preventive Rx (over the counter): The claims are adjusted for 100% coverage of benefits for specific over the counter drugs obtained with a prescription from a physician.
- Rx Adjustments: The claims are adjusted for differences in the Rx formulary, coverage for preventive prescription drugs previously sold over-the-counter, and impacts for moving drugs into different tiers in the projection period relative to what is reflected in the base experience data.

Changes in the Morbidity of the Population Insured

The claims are adjusted to reflect shifts in health insurance coverage as a result of the provisions of the ACA. The market shifts, or population movements, affecting the morbidity of the Small Group market in the projection period include:

- Small Groups electing to drop coverage
- Small group members electing to be uninsured
- Small groups moving to self-funded coverage
- Small group members moving to Medicaid
- Renewal timing changes as Small Groups elect to move their renewal date and remain on their current products longer in 2014

The movement assumptions above are based on market research and assumptions on the employer opt-out and consumer uptake rates. The morbidity impacts of population movement are based on health status determined from internal risk score data.

Trend Factors

- The annual pricing trend used in the development of the rates is 10.1%. The trend is based on projected cost and utilization trends by place of service, including anticipated changes in provider contracts. Normalization adjustments are made for persistent business, age/gender, and large claims. Trend also includes an estimate for leveraging. The claims are trended 27 months from the midpoint of the experience period, which is May 1, 2012, to the midpoint of the projection period, which is August 1, 2014.

Other Claim Adjustments

The adjustments described below are presented in Exhibit E - Other Claim Adjustments.

- Rx Rebates: The projected claims cost is adjusted to reflect anticipated Rx rebates. These projections take into account the most up-to-date information regarding anticipated rebate contracts, drug prices, anticipated price inflation, and upcoming patent expirations.
- The cost of adding benefits for pediatric dental and vision are included.

- **Capitation Payments**

The underlying data includes capitation payments, which are combined with the base medical and pharmacy claims and projected at the same rate. No further adjustment is made to the capitation.

J. Trend

The proposed trend is based on projected cost and utilization trends by place of service, including the expected changes in provider reimbursement rates. Medical Trend is split into three categories; contractual, utilization, and other. The other category consists of changes in the mix of services provided, medical cost shifting, and new medical procedures and technology. Insurance trend represents the effects of deductible leveraging. Exhibits T and U detail the trend assumptions.

K. Credibility

The combination of both Grandfathered and Non-Grandfathered experience data most reasonably reflects Small Group claims experience under the future projection period. Actuarial judgment has been exercised to determine that rates will be developed giving full credibility to the data underlying the manual rate in Section I. Complete Explanation as to How Proposed Rates were Determined.

- **Resulting Credibility Level Assigned to Base Period Experience**

The credibility level assigned to the experience in Worksheet 1, Section III of the Unified Rate Review Template is 0%.

Full credibility is assigned to the Small Group data shown in Exhibits B - Claims Experience for Manual Rate Development and S - Data Requirements. This data meets the Colorado full credibility requirements for membership and claims counts.

L. Data Requirements

Experience shown in Worksheet 1, Section I of the Unified Rate Review Template is for the Colorado Small Group Single Risk Pool Non-Grandfathered Business. This experience, addressed in Section Q. Unified Rate Review Template Experience, is deemed not credible and therefore is not used for development of manual rates. The manual rates are fully detailed in Section I. Complete Explanation as to How Proposed Rates were Determined. Experience underlying rate development is provided in Exhibit B - Claims Experience for Manual Rate Development.

Small group experience for the last three years can be found in Exhibit S - Data Requirements. Claim counts represent the total number of approved or paid claims by incurred month, regardless of the amount paid by Anthem on the claim. Claim counts do not include incurred but not reported (IBNR) claims.

M. Side by Side Comparison

New product filing; this section is not applicable.

N. Benefits Ratio Projections

The projected benefits ratio is illustrated in Exhibit A. Base Rate Development. The determination of claims and premiums comprising this ratio is detailed in Section I. Complete Explanation as to How Proposed Rates were Determined.

- **Federal MLR Projection**

The projected Federal MLR for the products in this filing is estimated in Exhibit N - Federal MLR Estimated Calculation. Please note that this calculation is purely an estimate and not meant to be a true measure for Federal or State MLR rebate purposes. The products in this filing represent only a subset of Anthem's Small Group business. The MLR for Anthem's entire book of Small Group business will be compared to the minimum Federal benchmark for purposes of determining regulation-related premium refunds. Also note that the projected Federal MLR presented here does not capture all adjustments, including but not limited to third party margins, three-year averaging, credibility, dual option, and deductible. Anthem's projected MLR is expected to meet or exceed the minimum MLR standards at the market level after including all adjustments.

- Projected Risk Adjustment

The Risk Adjustment program transfers funds from lower risk plans to higher risk plans in the Non-Grandfathered Individual and Small Group market. At this time, Anthem is assuming the risk for the plans in this filing are no better or worse than other plans in the market, resulting in no estimated risk transfer value as shown in Exhibit F - Risk Adjustment and Reinsurance - Contributions and Payments.

- Projected ACA Reinsurance Recoveries Net of Reinsurance Premium

The transitional reinsurance risk mitigation program collects funds from all insurance issuers and TPAs and redistributes them to high cost claimants in the Non-Grandfathered Individual market. The reinsurance contribution is equal to the national per capita reinsurance contribution rate as shown in Exhibit F - Risk Adjustment and Reinsurance - Contributions and Payments.

O. Other Factors

The required premium in the projection period is adjusted to reflect the average age, tobacco, area, and benefit plan rating factors to develop the rating period base rate. The average factors are shown in Exhibit H - Average 2014 Rating Factors and applied in line item 14 of Exhibit A - Base Rate Development.

- Benefit Plan Factors

Refer to Exhibit I - Non-Grandfathered Benefit Plan Factors.

- Age and Tobacco Factors

Refer to Exhibit J - Age Factors.

Refer to Exhibit K - Tobacco Factors.

- Area Factors

Refer to Exhibit L - Area Factors.

All rating factors were developed in accordance with PPACA Rate Filing Procedures for Colorado, as of May 7, 2013, and supplementary guidance provided by the Division of Insurance. Area factors were developed according to benefits, age, large claims and morbidity normalized per-member costs, combined with differences in expected 2014 contractual savings by rating area. Differences in area factors by network exist due to unit cost savings and utilization efficiency for providers comprising each network.

P. Rating Manuals

A rating manual is attached to Rate/Rule Schedule tab in SERFF. It provides the base rate and all rating factors associated with products in this filing.

Q. Unified Rate Review Template Experience

Claims experience in Worksheet 1, Section I of the Unified Rate Review Template reflects dates of service from January 1, 2012 through December 31, 2012.

- **Paid Through Date**

Claims shown in Worksheet 1, Section I of the Unified Rate Review Template are paid through December 31, 2012.

- **Allowed and Incurred Claims Incurred During the Experience Period**

The allowed claims are determined by adding member cost sharing amounts to plan liability amounts.

Allowed and incurred claims are completed using the chain ladder method, an industry standard, by using historic paid vs. incurred claims patterns. The method calculates historic completion percentages, representing the percent of claims paid for a particular month after one month of run out, two months, etc., for a forty-eight month view of history. Claim backlog files are reviewed on a monthly basis and are accounted for in the historical completion factor estimates.

- **Premiums (net of MLR Rebate) in Experience Period**

The estimated Non-Grandfathered gross earned premium for Colorado Small Group is \$2,999,401, where earned premium is the pro-rata share of premium owed to Anthem due to subscribers actively purchasing insurance coverage during the experience period.

The preliminary MLR Rebate estimate is \$0, which is consistent with the 12/31/2012 Anthem general ledger estimate allocated to the Non-Grandfathered portion of Small Group. Note that this is an estimate and will not be final until 6/1/2013.

R. Unified Rate Review Template Index Rate

- **Experience Period Index Rate**

The index rate represents the average allowed claims PMPM of essential health benefits for HMO Colorado, Inc. 's Small Group Non-Grandfathered Business. The experience period index rate shown in Worksheet 1, Section I (cell G17) of the Unified Rate Review Template is \$910.62 and is different than the experience period allowed claims (cell G16 in the same location) due to non-essential health benefits covered during the experience period. A comparison to the benchmark was performed and Acupuncture was identified as non-essential health benefits covered during the experience period.

- **Projection Period Index Rate**

The index rate represents the average allowed claims PMPM of essential health benefits for HMO Colorado, Inc. 's Small Group Non-Grandfathered Business. The 1st quarter projection period index rate was developed as shown in Exhibit O - Projected Index Rate Development by adjusting the projected incurred claims PMPM described in Section I. Complete Explanation as to How Proposed Rates were Determined of this memorandum. Projected trended index rates by quarter are also captured in Exhibit Q - Quarterly Index and Base Rate. Covered benefits in excess of essential health benefits that are included in the projection period allowed claims (cell T30 of Worksheet 1, Section II of the Unified Rate Review Template) but excluded from Exhibit Q's projection period index rate (also shown in cell V44 of Worksheet 1, Section III of the Unified Rate Review Template) are Spinal Manipulation, Diagnosis of Infertility, Webinars (DocTalk), Healthy Lifestyles Incentives (\$150/yr), Tobacco Free Certification with Incentives (\$50/yr), Gym Reimbursement (\$400/yr), and Incentive Admin (AHR Direct Platform and HMRK Gift Card). To calculate the required premium, the projection period index rate is adjusted only by the adjustments allowed per Market Reform and Payment Parameters Regulations. This development is presented in Exhibit P - Development of Required Premium from Index Rate.

- **Quarterly Index and Base Rate**

Quarterly index and base rate changes will be implemented On-Exchange and Off-Exchange. Refer to Exhibit Q - Quarterly Index and Base Rate.

S. Actuarial Value Metal Values

The Actuarial Value (AV) Metal Values included in Worksheet 2 of the Unified Rate Review Template are based on the AV Calculator. To the extent a component of the benefit design was not accommodated by an available input within the AV Calculator, the benefit characteristic was adjusted to be actuarially-equivalent to an available input within the AV Calculator for purposes of utilizing the AV Calculator as the basis for the AV Metal Values. Benefits for Plans that are not compatible with the parameters of the AV Calculator have been separately identified and documented in the Unique Plan Design Supporting Documentation and Justification that supports the Plan & Benefits Template.

T. Actuarial Value Pricing Values

The AV Pricing Values for each Product ID are in Worksheet 2, Section I of the Unified Rate Review Template. The fixed reference plan selected as the basis for the AV Pricing Value calculations is '76680CO0240018'. Utilization adjustments are made to account for member behavior variations, depending on the richness of the benefit design and not the health status of the member. The average allowable modifiers to the Index Rate can be found in Exhibit P - Development of Required Premium from Index Rate.

U. Membership Projections

Membership projections are developed using a population movement model and adjustments for sales expectations. This model projects the membership in the projection period by taking into account:

- Small Groups dropping coverage
- Small Group members opting out of coverage
- Small Group members to Medicaid as a result of expanded Medicaid eligibility

The plan distribution is based on assumed metal tier and network distributions.

Refer to Exhibit D - Projection Period Adjustments for the projected morbidity changes from population movement

V. Terminated Products

Non ACA-compliant plans will no longer be offered to new enrollees effective January 1, 2014 but will remain in effect in 2014 until enrollees renew onto ACA-compliant plans. The list of non ACA-compliant terminated plans with their corresponding HIOS products are shown in Exhibit R - Terminated Products.

Actuarial Certification

I, Michael Polakowski, FSA, MAAA, am an actuary for Anthem. I am a member of the American Academy of Actuaries and a Fellow of the Society of Actuaries. I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein. I hereby certify that the following statements are true to the best of my knowledge with regards to this filing:

(1) The projected Index Rate is:

- In compliance with all applicable State and Federal Statutes and Regulations (45 CFR 156.80(d)(1)),
- Developed in compliance with the applicable Actuarial Standards of Practice
- Reasonable in relation to the benefits provided and the population anticipated to be covered
- Not excessive, inadequate, or unfairly discriminatory.

(2) The Index Rate and only the allowable modifiers as described in 45 CFR 156.80(d)(1) and 45 CFR 156.80(d)(2) were used to generate plan level rates.

(3) The percent of total premium that represents essential health benefits included in Worksheet 2, Sections III and IV is calculated in accordance with actuarial standards of practice.

(4) The AV Calculator was used to determine the AV Metal Values shown in Worksheet 2 of the Part I Unified Rate Review Template for all plans.

The Part I Unified Rate Review Template does not demonstrate the process used by the issuer to develop the rates. Rather it represents information required by Federal regulation to be provided in support of the review of rate increases, for certification of Qualified Health Plans for Federally-Facilitated Exchanges, and for certification that the Index Rate is developed in accordance with Federal regulation, used consistently, and only adjusted by the allowable modifiers. However, this Actuarial Memo does accurately describe the process used by the issuer to develop the rates.



Michael Polakowski, FSA, MAAA
Regional Vice President and Actuary III

May 14, 2013
Date

Exhibit A - Base Rate Development

Effective January 1, 2014

HMO Colorado, Inc.
Small Group

| | <u>Paid Claims</u> | |
|--|--------------------|-------------------------------|
| 1) Experience Period Cost PMPM | \$ 297.23 | Exhibit B |
| 2) <u>x Normalization Factor</u> | <u>0.8888</u> | Exhibit C |
| 3) = Normalized Claims | \$ 264.18 | = (1) x (2) |
| 4) x Benefit Changes | 0.9437 | Exhibit D |
| 5) x Morbidity Changes | 0.9789 | Exhibit D |
| 6) x Trend Factor | 1.2426 | Exhibit D |
| 7) <u>x Other Cost of Care Impacts</u> | <u>1.0000</u> | Exhibit D |
| 8) = Projected Claim Cost | \$ 303.25 | = (3) x (4) x (5) x (6) x (7) |
| 9) + Other Claim Impacts | \$0.52 | Exhibit E |
| 10) = Claims Projected to Projection Period | \$ 303.77 | = (8) + (9) |
| 11) + Risk Mitigation - Contributions and Payments | \$5.10 | Exhibit F |
| 12) <u>+ Selling Expense, Administration and Other Retention Items</u> | <u>\$74.83</u> | Exhibit G |
| 13) = Required Premium in Projection Period | \$ 383.70 | = (10) + (11) + (12) |
| 14) <u>÷ Average Rating Factors in Projection Period</u> | <u>1.3849</u> | Exhibit H |
| 15) = Base Rate (Average Plan-Level - Age 21 - Non-Tobacco) | \$ 277.06 | = (13) ÷ (14) |
| 16) Projected Loss Ratio (Conventional Basis) | 80.5% | = [(10) + (11)] ÷ (13) |

Exhibit B - Claims Experience for Manual Rate Development

HMO Colorado, Inc.
Small Group

Incurred November 1, 2011 through October 31, 2012

Paid through December 31, 2012

PPO, HMO, Traditional and Anthem Essential Small Group In-Area Business:

| PAID CLAIMS: | | | | | | | | | | |
|---------------------------|---------------|--------------|-----------|------------------------|---------------|------------|-----------------|---------|-------|--------|
| Incurred and Paid Claims: | | IBNR: | | Fully Incurred Claims: | | | Total | Member | Total | |
| Medical | Drug | Medical | Drug | Medical | Drug | Capitation | Benefit Expense | Months | PMPM | |
| \$ 171,882,362 | \$ 34,044,979 | \$ 3,556,956 | \$ 20,767 | \$ 175,439,318 | \$ 34,065,746 | \$ 9,271 | \$ 209,514,335 | 704,886 | \$ | 297.23 |

| ALLOWED CLAIMS: | | | | | | | | | | |
|---------------------------|---------------|--------------|-----------|------------------------|---------------|------------|-----------------|---------|-------|--------|
| Incurred and Paid Claims: | | IBNR: | | Fully Incurred Claims: | | | Total | Member | Total | |
| Medical | Drug | Medical | Drug | Medical | Drug | Capitation | Benefit Expense | Months | PMPM | |
| \$ 222,898,652 | \$ 50,145,533 | \$ 4,473,670 | \$ 28,894 | \$ 227,372,322 | \$ 50,174,427 | \$ 9,271 | \$ 277,556,020 | 704,886 | \$ | 393.76 |

Exhibit C - Normalization Factors

HMO Colorado, Inc.
Small Group

Experience Period: November 1, 2011 through October 31, 2012

| Normalize to population expected in 2014 | | | |
|---|------------------------------|-------------------|---------------|
| Average claim factors based on future population as compared to experience period population: | | | |
| | Average Claim Factors | | Normalization |
| | Experience Period Population | Future Population | Factor |
| Age/Gender | 1.0186 | 1.0191 | 1.0005 |
| Area/Network | 0.9891 | 0.8789 | 0.8886 |
| Benefit Plan | 0.9011 | 0.9008 | 0.9997 |
| Total | 0.9078 | 0.8068 | 0.8888 |

Exhibit D - Projection Period Adjustments

HMO Colorado, Inc. Small Group

Impact of Changes Between Experience Period and Projection Period:

| | <u>Adjustment Factor</u> |
|------------------------------------|--------------------------|
| <u>Benefit changes</u> | |
| Preventive Rx (over the counter) | 1.0006 |
| Eliminate Pre-Ex | 1.0000 |
| <u>Rx Adjustments {1}</u> | <u>0.9431</u> |
| Total Benefit Changes | 0.9437 |
| <u>Morbidity changes</u> | |
| Total Morbidity Changes | 0.9789 |
| <u>Cost of care impacts</u> | |
| Annual Medical/Rx Trend Rate | 10.1% |
| # Months of Projection | 27 |
| Trend Factor | 1.2426 |

NOTES:

{1} Adjusted for differences in the Rx formulary and impacts for moving drugs into different tiers in the projection period relative to what is reflected in the base experience data.

Exhibit E - Other Claim Adjustments

HMO Colorado, Inc. Small Group

| <i>Adjustments to projection period claims to reflect covered benefits not included in experience period data:</i> | |
|--|--------------------|
| | <u>PMPM</u> |
| Rx Rebates | (\$2.52) |
| Pediatric Dental | \$0.08 |
| Pediatric Vision | \$0.14 |
| <u>Additional Non-EHBs {1}</u> | <u>\$2.82</u> |
| Total | \$0.52 |

NOTES:

{1} The 'Additional Non-EHBs' adjustment above reflects ONLY additional costs beyond those already captured in line Item 8 of Exhibit A. Line Item 8 of Exhibit A includes \$1.49 of embedded Non-EHB medical costs resulting from inclusion in the experience data and/or the normalization process.

Exhibit F - Risk Adjustment and Reinsurance - Contributions and Payments

HMO Colorado, Inc.
Small Group
Effective January 1, 2014

| | | | | | |
|--|---|---|--|--|--|
| <u>Risk Adjustment:</u> | | | | | |
| Description | Transfers funds from lowest risk plans to highest risk plans | | | | |
| Participants | Non-Grandfathered Individual and Small Group plans (inside and outside Exchange) are eligible | | | | |
| PMPM | Net Transfer | | | | |
| Federal Program | \$0.00 | | | | |
| | <u>Note:</u> | It is assumed the risk for the plans included in this rate filing is no better/worse than any other plans within this market. | | | |
| <u>Reinsurance:</u> | | | | | |
| Description | Provides funding to plans that enroll highest cost individuals | | | | |
| Participants | All insurance issuers and TPAs contribute funds | | | | |
| | Non-Grandfathered Individual plans (inside and outside Exchange) are eligible for payments | | | | |
| PMPM | Contributions Made | Expected Payments | | | |
| Federal Program | \$5.10 | \$0.00 | <i>Small Group Plans contribute funds but only Individual Plans are eligible to receive payments</i> | | |
| | <u>Source:</u> | HHS estimates a national per capita contribution rate of \$5.25 per month (\$63 per year) in benefit year 2014 and \$3.50 per month (\$42 per year) in 2015 (per Payment Parameter Rule). | | | |
| Grand Total of All Risk Mitigation Programs | | | | | |
| \$5.10 | | | | | |

NOTES:

\$5.10 = \$5.25 * (11 months/12months) + \$3.50 * (1 months/12 months)

\$5.25 = 2014 contribution

\$3.50 = 2015 contribution

Exhibit G - Non-Benefit Expenses and Profit & Risk

HMO Colorado, Inc. Small Group

| | <u>\$ PMPM</u> | <u>% Premium</u> | | | |
|--|---|---|--------------------------------------|---|---|
| | Proposed effective January 1, 2014 | Proposed effective January 1, 2014 | Current effective June 1, 2013 | Actual Retention 2011 Financials | Actual Retention 2012 Financials |
| Admin Expense | \$21.71 | 5.7% | 5.5% | 3.5% | 3.4% |
| Quality Improvement Expense | \$2.83 | 0.74% | | | |
| Broker Commission | \$16.34 | 4.3% | 5.0% | 2.2% | 2.3% |
| Group Conversion Charge | \$0.00 | 0.0% | 0.4% | | |
| After-Tax Provision for Profit & Contingencies | \$15.05 | 3.9% | 3.3% | -16.0% | -15.6% |
| Premium Tax | \$0.00 | 0.0% | 0.0% | 0.0% | 0.0% |
| Federal Income Tax | \$8.46 | 2.2% | 1.8% | -8.6% | -8.4% |
| State Income Tax {1} | \$0.67 | 0.2% | | | |
| Investment Income | \$3.91 | 1.0% | 0.7% | 1.7% | 1.5% |
| ACA-related Fees | \$12.61 | 3.3% | 0.9% | | |
| PCORI Fee | \$0.17 | 0.04% | | | |
| Risk Adjustment User Fee | \$0.08 | 0.02% | | | |
| ACA Insurer Fee | \$10.24 | 2.67% | | | |
| Exchange User Fee | \$2.11 | 0.55% | | | |
| Total Retention | | 20.5% | 17.6% | | |
| Desired Loss Ratio {2} | | 80.5% | 83.1% | | |

{1} In prior filings and company financials, State Income Tax is included in After-Tax Provision for Profit & Contingencies

{2} Desired Loss Ratio excludes investment income.

Exhibit H - Average 2014 Rating Factors

HMO Colorado, Inc.
Small Group

Effective January 1, 2014

| <i>Average 2014 rating factors for 2014 population:</i> | |
|---|------------------------------|
| | Average Rating Factor |
| Age/Tobacco | 1.3846 |
| Area/Benefit Plan | 1.0002 |
| Total | 1.3849 |

NOTES:

The developed base rate is reduced by the overall average rating factor shown above.
See Line Item 14 on Exhibit A.

Exhibit I - Non-Grandfathered Benefit Plan Factors

HMO Colorado, Inc.
Small Group
Effective January 1, 2014

| On-Exchange Plans: | | | |
|--------------------|--|--------------------|--------------------|
| <u>Metal Level</u> | <u>HIOS Standard Component Plan ID</u> | <u>Network</u> | <u>Plan Factor</u> |
| Catastrophic | | | |
| Bronze | 76680CO0230003 | Highly Aligned HMO | 0.7765 |
| Silver | 76680CO0230001 | Highly Aligned HMO | 0.9416 |
| Gold | 76680CO0230002 | Highly Aligned HMO | 1.2125 |
| Platinum | | | |

| Off-Exchange Plans: | | | |
|---------------------|--|--------------------|--------------------|
| <u>Metal Level</u> | <u>HIOS Standard Component Plan ID</u> | <u>Network</u> | <u>Plan Factor</u> |
| Catastrophic | | | |
| Bronze | 76680CO0240027 | Blue Priority HMO | 0.8918 |
| | 76680CO0240029 | Blue Priority HMO | 0.8222 |
| | 76680CO0240028 | Blue Priority HMO | 0.8918 |
| Silver | 76680CO0240018 | Highly Aligned HMO | 0.9520 |
| | 76680CO0240022 | Highly Aligned HMO | 0.9276 |
| | 76680CO0240025 | Highly Aligned HMO | 0.9817 |
| | 76680CO0240026 | Highly Aligned HMO | 1.0624 |
| | 76680CO0240008 | Blue Priority HMO | 0.9890 |
| | 76680CO0240009 | Blue Priority HMO | 0.9520 |
| | 76680CO0240013 | Blue Priority HMO | 0.9869 |
| | 76680CO0240014 | Blue Priority HMO | 1.0285 |
| | 76680CO0240015 | Blue Priority HMO | 1.0639 |
| | 76680CO0240030 | Highly Aligned HMO | 0.9387 |
| | 76680CO0240031 | Highly Aligned HMO | 0.9659 |
| | 76680CO0240021 | Highly Aligned HMO | 0.9868 |
| Gold | 76680CO0240002 | Blue Priority HMO | 1.1449 |
| | 76680CO0240020 | Highly Aligned HMO | 1.1641 |
| | 76680CO0240023 | Highly Aligned HMO | 1.1665 |
| | 76680CO0240005 | Blue Priority HMO | 1.1633 |
| | 76680CO0240007 | Blue Priority HMO | 1.2095 |
| | 76680CO0240016 | Highly Aligned HMO | 1.2280 |
| | 76680CO0240001 | Highly Aligned HMO | 1.2125 |
| Platinum | | | |

NOTES:

Benefit Plan Factors above reflect plan by plan differences from the index rate for allowable adjustments as described in detail in the Market Reform and Payment Parameters Regulations and illustrated in Exhibit P. The weighted average of these adjustments for the entire risk pool included in this rate filing is detailed in Exhibit H.

Exhibit J - Age Factors

HMO Colorado, Inc.
Small Group
Effective January 1, 2014

| Age | Rating Factor |
|-------|---------------|
| 0-20 | 0.635 |
| 21-24 | 1.000 |
| 25 | 1.004 |
| 26 | 1.024 |
| 27 | 1.048 |
| 28 | 1.087 |
| 29 | 1.119 |
| 30 | 1.135 |
| 31 | 1.159 |
| 32 | 1.183 |
| 33 | 1.198 |
| 34 | 1.214 |
| 35 | 1.222 |
| 36 | 1.230 |
| 37 | 1.238 |
| 38 | 1.246 |
| 39 | 1.262 |
| 40 | 1.278 |
| 41 | 1.302 |
| 42 | 1.325 |
| 43 | 1.357 |
| 44 | 1.397 |
| 45 | 1.444 |
| 46 | 1.500 |
| 47 | 1.563 |
| 48 | 1.635 |
| 49 | 1.706 |
| 50 | 1.786 |
| 51 | 1.865 |
| 52 | 1.952 |
| 53 | 2.040 |
| 54 | 2.135 |
| 55 | 2.230 |
| 56 | 2.333 |
| 57 | 2.437 |
| 58 | 2.548 |
| 59 | 2.603 |
| 60 | 2.714 |
| 61 | 2.810 |
| 62 | 2.873 |
| 63 | 2.952 |
| 64+ | 3.000 |

Exhibit K - Tobacco Factors

HMO Colorado, Inc.
Small Group
Effective January 1, 2014

| Age | Rating Factor |
|------|---------------|
| 0-20 | 1.0000 |
| 21+ | 1.1000 |

Exhibit L - Area Factors

HMO Colorado, Inc.

Small Group

Effective January 1, 2014

| Rating Area Description | Highly Aligned HMO Network | Blue Priority HMO Network |
|--------------------------|-------------------------------|------------------------------|
| 1 - Boulder MSA | 0.9450 | |
| 2 - Colorado Springs MSA | 0.9057 | 0.9057 |
| 3 - Denver MSA | 0.9648 | 0.9648 |
| 4 - Fort Collins MSA | 1.0166 | |
| 5 - Grand Junction MSA | 1.0814 | |
| 6 - Greeley PMSA | 1.0788 | |
| 7 - Pueblo MSA | 1.0132 | |
| 8 - SE Non-MSA | 1.0631 | |
| 9 - NE Non-MSA | 1.3468 | |
| 10 - West Non-MSA | 1.2114 | |
| 11 - Resort Non-MSA | 1.4870 | |

Exhibit M - Sample Rate Calculation

HMO Colorado, Inc.
Small Group

Group Name: Sample Group
Effective Date: 1/1/2014
On/Off Exchange: Off
Metal Level: Silver
Plan: 76680CO0240018
Rating Area: 3 - Denver MSA
Network: Highly Aligned HMO

Group Census:

| | Employee | Spouse | Number of Children | Child #1 Age | Child #2 Age | Child #3 Age | Child #4 Age | Tobacco User? | | | | | |
|--------------|----------|--------|--------------------|--------------|--------------|--------------|--------------|---------------|--------|----------|----------|----------|----------|
| | Age | Age | | | | | | Employee | Spouse | Child #1 | Child #2 | Child #3 | Child #4 |
| Employee #1 | 24 | 23 | 1 | 0 | | | | Yes | No | No | | | |
| Employee #2 | 26 | | | | | | | No | | | | | |
| Employee #3 | 28 | | | | | | | No | | | | | |
| Employee #4 | 32 | 33 | | | | | | Yes | No | | | | |
| Employee #5 | 30 | | 2 | 2 | 4 | | | No | | No | No | | |
| Employee #6 | 45 | 45 | 3 | 18 | 15 | 12 | | No | No | No | No | No | |
| Employee #7 | 53 | 55 | | | | | | Yes | Yes | | | | |
| Employee #8 | 41 | | 4 | 16 | 13 | 5 | 4 | No | | No | No | No | No |
| Employee #9 | 56 | | | | | | | No | | | | | |
| Employee #10 | 40 | | 1 | 25 | | | | No | | Yes | | | |
| Employee #11 | 62 | | | | | | | No | | | | | |
| Employee #12 | 64 | 64 | | | | | | No | No | | | | |

Calculation of Monthly Premium:

Base Rate = \$ 277.06 Exhibit A
x Benefit Plan Factor 0.9520 Exhibit I
x Area Factor 0.9648 Exhibit L
Base Rate Adjusted for Plan/Area = \$ 254.48

Age/Tobacco Factors:

Exhibit J and Exhibit K

| | Employee | | Spouse | | Child #1 | | Child #2 | | Child #3 | | Child #4 | |
|--------------|------------|----------------|------------|----------------|------------|----------------|------------|----------------|------------|----------------|------------|----------------|
| | Age Factor | Tobacco Factor | Age Factor | Tobacco Factor | Age Factor | Tobacco Factor | Age Factor | Tobacco Factor | Age Factor | Tobacco Factor | Age Factor | Tobacco Factor |
| Employee #1 | 1.000 | 1.10 | 1.000 | 1.00 | 0.635 | 1.00 | | | | | | |
| Employee #2 | 1.024 | 1.00 | | | | | | | | | | |
| Employee #3 | 1.087 | 1.00 | | | | | | | | | | |
| Employee #4 | 1.183 | 1.10 | 1.198 | 1.00 | | | | | | | | |
| Employee #5 | 1.135 | 1.00 | | | 0.635 | 1.00 | 0.635 | 1.00 | | | | |
| Employee #6 | 1.444 | 1.00 | 1.444 | 1.00 | 0.635 | 1.00 | 0.635 | 1.00 | 0.635 | 1.00 | | |
| Employee #7 | 2.040 | 1.10 | 2.230 | 1.10 | | | | | | | | |
| Employee #8 | 1.302 | 1.00 | | | 0.635 | 1.00 | 0.635 | 1.00 | 0.635 | 1.00 | 0.000 | 0.00 |
| Employee #9 | 2.333 | 1.00 | | | | | | | | | | |
| Employee #10 | 1.278 | 1.00 | | | 1.004 | 1.10 | | | | | | |
| Employee #11 | 2.873 | 1.00 | | | | | | | | | | |
| Employee #12 | 3.000 | 1.00 | 3.000 | 1.00 | | | | | | | | |

Final Monthly Premium PMPM:

| | Employee | Spouse | Children | Total |
|--------------|-----------|-----------|-----------|-------------|
| Employee #1 | \$ 279.93 | \$ 254.48 | \$ 161.59 | \$ 696.00 |
| Employee #2 | \$ 260.59 | | | \$ 260.59 |
| Employee #3 | \$ 276.62 | | | \$ 276.62 |
| Employee #4 | \$ 331.15 | \$ 304.87 | | \$ 636.02 |
| Employee #5 | \$ 288.83 | | \$ 323.19 | \$ 612.02 |
| Employee #6 | \$ 367.47 | \$ 367.47 | \$ 484.78 | \$ 1,219.72 |
| Employee #7 | \$ 571.05 | \$ 624.24 | | \$ 1,195.29 |
| Employee #8 | \$ 331.33 | | \$ 484.78 | \$ 816.11 |
| Employee #9 | \$ 593.70 | | | \$ 593.70 |
| Employee #10 | \$ 325.23 | | \$ 281.05 | \$ 606.28 |
| Employee #11 | \$ 731.12 | | | \$ 731.12 |
| Employee #12 | \$ 763.44 | \$ 763.44 | | \$ 1,526.88 |

NOTES:

- (1) As per the Market Reform Rule, when computing family premiums no more than the three oldest covered children under the age of 21 are taken into account whereas the premiums associated with each child age 21+ are included.
(2) This sample calculation ignores the tobacco offset under a Wellness Program as described in the Market Reform Rule.
(3) Minor rate variances may occur due to differences in rounding methodology.

Exhibit N - Federal MLR Estimated Calculation

HMO Colorado, Inc. Small Group

Numerator:

| | | |
|--|---------------|-----------|
| Incurred Claims | \$303.77 | Exhibit A |
| + Quality Improvement Expense | \$2.83 | Exhibit G |
| + Risk Corridor Contributions | \$0.00 | |
| + Risk Adjustment Contributions | \$0.00 | Exhibit F |
| - Reinsurance Receipts | \$0.00 | Exhibit F |
| - Risk Corridor Receipts: | \$0.00 | |
| - Risk Adjustment Receipts: | <u>\$0.00</u> | Exhibit F |
| = Estimated Federal MLR Numerator | \$306.60 | |

Denominator:

| | | |
|--|----------------|-----------|
| Premiums | \$383.70 | Exhibit A |
| - Federal and State Taxes | \$9.12 | Exhibit G |
| - Premium Taxes | \$0.00 | Exhibit G |
| - Reinsurance Contributions | \$5.10 | Exhibit F |
| - <u>Licensing and Regulatory Fees</u> | <u>\$12.61</u> | Exhibit G |
| = Estimated Federal MLR Denominator | \$356.87 | |

Estimated Federal MLR **85.91%**

NOTES:

The above calculation is purely an estimate and not meant to be compared to the minimum MLR benchmark for federal/state MLR rebate purposes:

- 1) The above calculation represents only the products in this filing. Federal MLR will be calculated at the legal entity and market level.
- 2) Not all numerator/denominator components are captured above (for example, third party vendors excess reimbursement, fraud and prevention program costs, payroll taxes, assessments for state high risk pools etc.).
- 3) Other adjustments may also be applied within the federal MLR calculation such as 3-year averaging, new business, credibility, deductible and dual option. These are ignored in the above calculation.
- 4) Licensing and Regulatory Fees include ACA-related fees as allowed under the MLR Final Rule

Exhibit O - Projected Index Rate Development

Effective January 1, 2014

HMO Colorado, Inc.
Small Group

| | | | |
|---|----|-----------------|---------------------------------------|
| 1) Projected Paid Claim Cost | \$ | 303.25 | Exhibit A, Line Item 8 |
| 2) <u>- Non-EHBs Embedded in Line Item 1) Above</u> | | <u>\$1.49</u> | Exhibit E (see footnote in Exhibit E) |
| 3) = Projected Paid Claims, Excluding ALL Non-EHBs | \$ | 301.76 | |
| 4) + Rx Rebates | | (\$2.52) | Exhibit E |
| 5) <u>+ Additional EHBs {1}</u> | | <u>\$0.22</u> | Exhibit E |
| 6) = Projected Paid Claims Reflecting <i>only</i> EHBs | \$ | 299.46 | |
| 7) <u>÷ Paid to Allowed Ratio</u> | | <u>0.6968</u> | |
| 8) = Projected Allowed Claims Reflecting <i>only</i> EHBs | | \$429.78 | = Index Rate |

NOTES:

{1} Pediatric Dental and Pediatric Vision

Exhibit P - Development of Required Premium from Index Rate

Effective January 1, 2014

HMO Colorado, Inc. Small Group

| | <u>Weighted Average for Risk Pool</u> | |
|---|---|--|
| 1) Index Rate | \$429.78 | Exhibit O |
| 2) <u>x Paid to Allowed Ratio</u> | <u>0.6968</u> | Exhibit O |
| 3) = Projected Paid Claims Reflecting <i>only</i> EHBs | \$299.46 | |
| <u>Allowable Index Rate Adjustments {1} {2}:</u> | | |
| 4) x Benefit Adjustments | 1.0000 | |
| 5) + Non-EHBs | \$4.31 | Exhibit E and Exhibit O |
| 6) x Catastrophic Adjustment | 1.0000 | |
| 7) x Network Adjustment | 1.0000 | |
| 8) + Risk Mitigation - Contributions and Payments | \$5.10 | Exhibit F |
| 9) <u>+ Selling Expense, Administration and Other Retention Items</u> | <u>\$74.83</u> | Exhibit G (also see Exhibit A, Line item 12) |
| 10) = Required Premium in Projection Period | \$383.70 | Ties to Exhibit A, Line item 13 |

NOTES:

- {1} Allowable adjustments to the index rate as made above are in accordance with the Market Reform and Payment Parameters Regulations.
- {2} The above illustrates the allowable adjustments to the average single risk pool index rate as included in this rate filing. These adjustments may vary on a plan by plan basis and such variances are captured in the benefit plan factors as summarized in Exhibit I.
- {3} Plan-level rates are obtained by multiplying the base rate as shown in line item 15 of Exhibit A by the benefit plan factors illustrated in Exhibit I. Further allowable adjustments (age, tobacco and area) are applied to arrive at final premium rates.

Exhibit Q - Quarterly Index and Base Rate

HMO Colorado, Inc. Small Group

| | Rates Effective: | | | | |
|-------------------------|------------------|-----------|-----------|-----------|-----------|
| | 1Q14 | 2Q14 | 3Q14 | 4Q14 | Wtd Avg |
| Renewing Member Months | 281,954 | 105,733 | 105,733 | 211,466 | 704,886 |
| Quarterly Allowed Trend | | 2.2% | 2.2% | 2.1% | |
| Index Rate | \$429.78 | \$ 439.02 | \$ 448.46 | \$ 457.99 | \$ 442.43 |
| Quarterly Paid Trend | | 2.4% | 2.4% | 2.4% | |
| Base Rate | \$ 277.06 | \$ 283.79 | \$ 290.72 | \$ 297.78 | |

NOTES:

{1} The 1Q14 index rate was derived in Exhibit O.

{2} The 1Q14 index rate is assumed to increase with quarterly allowed trend as illustrated above.

{3} The 1Q14 base rate was derived in Exhibit A.

{4} The 1Q14 base rate is assumed to increase with quarterly paid trend as illustrated above. This trend rate differs from the index rate trend in that it includes anticipated changes for non-EHBs, deductible leveraging, fees, and risk mitigation programs.

{5} Minor rate variances may occur due to differences in rounding methodology.

Exhibit R - Terminated Products

HMO Colorado, Inc. Small Group

Following are the products that will be terminated prior to the effective date:

This includes products that have experience included in the URRT during the experience period and any products that were not in effect during the experience period but were made available thereafter.

| Plan ID | Plan Name | HIOS Product ID | HIOS Product Name |
|---------|---|-----------------|----------------------|
| BA83 | Basic HMO | 76680CO019 | HMO |
| 0NN5 | Blue Priority \$1,000 | 76680CO019 | HMO |
| 0NN6 | Blue Priority \$1,500 | 76680CO019 | HMO |
| 0NNJ | Blue Priority \$2,000 | 76680CO019 | HMO |
| 074C | Classic HMO | 76680CO019 | HMO |
| 074D | Classic Select HMO | 76680CO019 | HMO |
| 07JU | Classic Select HMO - BeneFits | 76680CO019 | HMO |
| 074E | HMOSelect \$40 Copay/\$1000 | 76680CO019 | HMO |
| 04DL | HMOSelect \$40 Copay/\$1000 - BeneFits | 76680CO019 | HMO |
| 074F | HMOSelect \$45 GenRx/\$1500 | 76680CO019 | HMO |
| BA84 | Standard HMO | 76680CO019 | HMO |
| 074K | Classic HMO - Association | 76680CO021 | CO Association 2 HMO |
| 074L | Classic Select HMO - Association | 76680CO021 | CO Association 2 HMO |
| 074M | HMOSelect \$40 Copay/\$1000 - Association | 76680CO021 | CO Association 2 HMO |
| 074N | HMOSelect \$45 GenRx/\$1500 - Association | 76680CO021 | CO Association 2 HMO |

Exhibit S - Data Requirements

HMO Colorado, Inc. Small Group

EXPERIENCE SUMMARY - SMALL GROUP HMO AND PPO COMBINED

| YearMo | Contracts | Members | Premium | Incurred & Paid Claims | | | Incurred & Paid Claim Counts | | | Estimated Incurred Claims | | | Capitation | Loss Ratio | Rolling 12 Loss Ratio |
|--------|-----------|---------|------------|------------------------|-----------|------------|------------------------------|--------|---------|---------------------------|-----------|------------|------------|------------|-----------------------|
| | | | | Medical | Rx | Total | Medical | Rx | Total | Medical | Rx | Total | | | |
| 201001 | 40,024 | 69,718 | 24,552,745 | 18,697,496 | 2,146,995 | 20,844,491 | 50,747 | 71,823 | 122,570 | 18,697,496 | 2,146,995 | 20,844,491 | 3,183 | 84.9% | |
| 201002 | 39,792 | 69,258 | 24,473,053 | 14,100,203 | 2,275,044 | 16,375,247 | 49,525 | 67,642 | 117,167 | 14,100,203 | 2,275,044 | 16,375,247 | 3,113 | 66.9% | |
| 201003 | 39,685 | 69,096 | 24,463,260 | 15,743,802 | 2,818,890 | 18,562,692 | 55,210 | 74,564 | 129,774 | 15,743,802 | 2,818,890 | 18,562,692 | 3,055 | 75.9% | |
| 201004 | 39,416 | 68,641 | 24,398,082 | 15,342,581 | 2,858,412 | 18,200,993 | 53,550 | 70,579 | 124,129 | 15,342,581 | 2,858,412 | 18,200,993 | 3,092 | 74.6% | |
| 201005 | 38,893 | 67,716 | 24,194,637 | 14,928,392 | 2,924,267 | 17,852,659 | 49,243 | 68,040 | 117,283 | 14,928,392 | 2,924,267 | 17,852,659 | 3,048 | 73.8% | |
| 201006 | 38,661 | 67,373 | 24,173,997 | 16,417,569 | 3,183,137 | 19,600,706 | 52,217 | 69,516 | 121,733 | 16,417,569 | 3,183,137 | 19,600,706 | 3,080 | 81.1% | |
| 201007 | 38,380 | 66,865 | 24,110,361 | 14,904,313 | 3,122,590 | 18,026,903 | 49,089 | 66,582 | 115,671 | 14,904,313 | 3,122,590 | 18,026,903 | 2,929 | 74.8% | |
| 201008 | 38,048 | 66,283 | 24,032,047 | 17,503,430 | 3,408,301 | 20,911,731 | 52,170 | 74,452 | 126,622 | 17,503,430 | 3,408,301 | 20,911,731 | 2,969 | 87.0% | |
| 201009 | 37,538 | 65,520 | 23,881,699 | 16,874,850 | 3,045,410 | 19,920,260 | 49,970 | 58,373 | 108,343 | 16,874,850 | 3,045,410 | 19,920,260 | 2,923 | 83.4% | |
| 201010 | 37,586 | 65,609 | 23,973,410 | 17,700,493 | 3,141,103 | 20,841,596 | 52,906 | 59,430 | 112,336 | 17,700,493 | 3,141,103 | 20,841,596 | 2,821 | 86.9% | |
| 201011 | 37,421 | 65,401 | 24,072,927 | 17,615,994 | 3,466,083 | 21,082,077 | 52,323 | 59,575 | 111,898 | 17,615,994 | 3,466,083 | 21,082,077 | 2,513 | 87.6% | |
| 201012 | 37,635 | 65,541 | 24,528,658 | 18,481,783 | 3,920,908 | 22,402,691 | 53,414 | 63,533 | 116,947 | 18,481,783 | 3,920,908 | 22,402,691 | 2,495 | 91.3% | 80.7% |
| 201101 | 36,106 | 62,830 | 23,729,155 | 12,347,945 | 1,982,330 | 14,330,275 | 47,304 | 56,029 | 103,333 | 12,347,945 | 1,982,330 | 14,330,275 | 2,312 | 60.4% | 78.7% |
| 201102 | 35,633 | 61,962 | 23,443,361 | 13,806,768 | 2,067,893 | 15,874,661 | 45,123 | 51,914 | 97,037 | 13,806,768 | 2,067,893 | 15,874,661 | 2,284 | 67.7% | 78.8% |
| 201103 | 35,234 | 61,321 | 23,277,543 | 14,539,986 | 2,739,738 | 17,279,724 | 50,188 | 57,375 | 107,563 | 14,539,986 | 2,739,738 | 17,279,724 | 2,319 | 74.2% | 78.6% |
| 201104 | 34,779 | 60,599 | 23,102,061 | 14,841,464 | 2,617,825 | 17,459,289 | 46,460 | 53,004 | 99,464 | 14,841,464 | 2,617,825 | 17,459,289 | 2,106 | 75.6% | 78.7% |
| 201105 | 34,336 | 59,969 | 22,907,752 | 15,758,867 | 2,781,589 | 18,540,455 | 46,287 | 53,663 | 99,950 | 15,758,867 | 2,781,589 | 18,540,455 | 1,932 | 80.9% | 79.3% |
| 201106 | 34,015 | 59,406 | 22,794,906 | 16,627,982 | 3,063,134 | 19,691,116 | 46,472 | 52,343 | 98,815 | 16,629,604 | 3,063,134 | 19,692,738 | 1,056 | 86.4% | 79.8% |
| 201107 | 33,762 | 59,049 | 22,669,068 | 13,235,875 | 2,871,716 | 16,107,591 | 42,443 | 50,267 | 92,710 | 13,237,170 | 2,871,716 | 16,108,886 | 997 | 71.1% | 79.5% |
| 201108 | 33,426 | 58,605 | 22,527,145 | 15,990,093 | 3,227,476 | 19,217,569 | 48,590 | 53,070 | 101,660 | 15,991,657 | 3,227,476 | 19,219,133 | 787 | 85.3% | 79.3% |
| 201109 | 33,304 | 58,347 | 22,519,163 | 12,879,059 | 3,290,280 | 16,169,339 | 44,479 | 51,626 | 96,105 | 12,880,324 | 3,290,280 | 16,170,604 | 795 | 71.8% | 78.4% |
| 201110 | 33,246 | 58,240 | 22,398,740 | 14,798,279 | 3,266,182 | 18,064,462 | 45,352 | 53,218 | 98,570 | 14,801,197 | 3,266,182 | 18,067,379 | 812 | 80.7% | 77.8% |
| 201111 | 33,236 | 58,223 | 22,375,633 | 15,463,788 | 3,350,201 | 18,813,989 | 45,012 | 51,958 | 96,970 | 15,471,358 | 3,350,201 | 18,821,559 | 742 | 84.1% | 77.5% |
| 201112 | 33,361 | 58,330 | 22,326,750 | 17,365,946 | 3,603,597 | 20,969,543 | 44,970 | 55,249 | 100,219 | 17,377,963 | 3,603,948 | 20,981,911 | 1,288 | 94.0% | 77.6% |
| 201201 | 33,335 | 58,172 | 22,036,173 | 10,912,484 | 2,030,032 | 12,942,516 | 43,739 | 47,921 | 91,660 | 10,927,257 | 2,030,228 | 12,957,485 | 1,270 | 58.8% | 77.5% |
| 201202 | 33,326 | 58,133 | 21,996,526 | 12,588,943 | 2,255,685 | 14,844,627 | 42,623 | 46,553 | 89,176 | 12,617,367 | 2,255,901 | 14,873,268 | 1,255 | 67.6% | 77.6% |
| 201203 | 33,379 | 58,224 | 22,013,831 | 12,906,551 | 2,553,056 | 15,459,608 | 44,170 | 50,378 | 94,548 | 13,153,431 | 2,553,544 | 15,706,975 | 658 | 71.4% | 77.4% |
| 201204 | 33,321 | 58,193 | 21,898,631 | 12,881,538 | 2,605,179 | 15,486,717 | 42,014 | 47,124 | 89,138 | 12,958,551 | 2,605,683 | 15,564,235 | 665 | 71.1% | 77.0% |
| 201205 | 33,614 | 59,069 | 22,163,330 | 14,611,897 | 2,890,023 | 17,501,920 | 43,432 | 49,232 | 92,664 | 14,733,435 | 2,890,866 | 17,624,301 | 649 | 79.5% | 76.9% |
| 201206 | 33,513 | 58,880 | 22,143,014 | 15,123,225 | 2,587,997 | 17,711,222 | 40,419 | 46,496 | 86,915 | 15,441,669 | 2,588,994 | 18,030,663 | 602 | 81.4% | 76.4% |
| 201207 | 33,654 | 59,298 | 22,281,709 | 13,736,957 | 2,858,971 | 16,595,928 | 40,812 | 48,267 | 89,079 | 13,982,868 | 2,860,358 | 16,843,226 | 600 | 75.6% | 76.8% |
| 201208 | 33,703 | 59,542 | 22,322,736 | 15,914,425 | 3,147,245 | 19,061,670 | 45,144 | 49,723 | 94,867 | 16,357,608 | 3,149,380 | 19,506,987 | 592 | 87.4% | 77.0% |
| 201209 | 33,788 | 59,556 | 22,271,227 | 14,634,696 | 2,870,142 | 17,504,837 | 39,293 | 47,202 | 86,495 | 15,231,787 | 2,874,609 | 18,106,396 | 590 | 81.3% | 77.8% |
| 201210 | 33,789 | 59,266 | 22,163,845 | 15,741,912 | 3,292,852 | 19,034,764 | 46,578 | 53,686 | 100,264 | 17,186,024 | 3,302,033 | 20,488,057 | 360 | 92.4% | 78.8% |
| 201211 | 33,956 | 59,561 | 22,277,659 | 13,520,923 | 3,139,372 | 16,660,295 | 41,406 | 51,592 | 92,998 | 16,278,714 | 3,185,012 | 19,463,727 | 358 | 87.4% | 79.0% |
| 201212 | 34,017 | 59,660 | 22,338,813 | 6,285,093 | 2,457,593 | 8,742,685 | 25,486 | 38,771 | 64,257 | 16,805,068 | 3,336,377 | 20,141,445 | 570 | 90.2% | 78.7% |

Exhibit S - Data Requirements

HMO Colorado, Inc. Small Group

EXPERIENCE SUMMARY - GRANDFATHERED - SMALL GROUP HMO AND PPO COMBINED

| YearMo | Contracts | Members | Premium | Incurred & Paid Claims | | | Incurred & Paid Claim Counts | | | Estimated Incurred Claims | | | Capitation | Ratio | Rolling 12 Loss Ratio |
|--------|-----------|---------|------------|------------------------|-----------|------------|------------------------------|--------|---------|---------------------------|-----------|------------|------------|--------|--------------------------|
| | | | | Medical | Rx | Total | Medical | Rx | Total | Medical | Rx | Total | | | |
| 201001 | 39,418 | 68,714 | 24,068,040 | 14,774,303 | 1,982,854 | 16,757,157 | 49,503 | 69,845 | 119,348 | 14,774,303 | 1,982,854 | 16,757,157 | 3,084 | 69.6% | |
| 201002 | 39,198 | 68,273 | 23,989,555 | 13,830,729 | 2,112,197 | 15,942,926 | 48,434 | 65,795 | 114,229 | 13,830,729 | 2,112,197 | 15,942,926 | 3,026 | 66.5% | |
| 201003 | 39,089 | 68,119 | 23,976,688 | 15,454,475 | 2,641,790 | 18,096,265 | 53,979 | 72,635 | 126,614 | 15,454,475 | 2,641,790 | 18,096,265 | 2,967 | 75.5% | |
| 201004 | 38,835 | 67,690 | 23,921,397 | 14,986,275 | 2,691,074 | 17,677,350 | 52,379 | 68,765 | 121,144 | 14,986,275 | 2,691,074 | 17,677,350 | 3,013 | 73.9% | |
| 201005 | 38,332 | 66,782 | 23,726,661 | 14,622,708 | 2,776,791 | 17,399,499 | 48,238 | 66,432 | 114,670 | 14,622,708 | 2,776,791 | 17,399,499 | 2,971 | 73.3% | |
| 201006 | 38,106 | 66,444 | 23,703,781 | 15,871,588 | 3,031,635 | 18,903,223 | 50,986 | 67,692 | 118,678 | 15,871,588 | 3,031,635 | 18,903,223 | 2,988 | 79.8% | |
| 201007 | 37,529 | 65,388 | 23,412,538 | 14,400,763 | 2,947,010 | 17,347,773 | 47,702 | 64,189 | 111,891 | 14,400,763 | 2,947,010 | 17,347,773 | 2,840 | 74.1% | |
| 201008 | 36,824 | 64,197 | 23,084,979 | 16,895,268 | 3,167,825 | 20,063,093 | 50,145 | 71,325 | 121,470 | 16,895,268 | 3,167,825 | 20,063,093 | 2,882 | 86.9% | |
| 201009 | 36,036 | 62,979 | 22,733,915 | 16,374,690 | 2,813,535 | 19,188,225 | 47,776 | 55,345 | 103,121 | 16,374,690 | 2,813,535 | 19,188,225 | 2,834 | 84.4% | |
| 201010 | 35,251 | 61,655 | 22,316,497 | 16,860,448 | 2,862,910 | 19,723,358 | 49,741 | 55,548 | 105,289 | 16,860,448 | 2,862,910 | 19,723,358 | 2,732 | 88.4% | |
| 201011 | 33,777 | 59,145 | 21,580,217 | 16,440,217 | 3,090,298 | 19,530,515 | 47,618 | 53,833 | 101,451 | 16,440,217 | 3,090,298 | 19,530,515 | 2,414 | 90.5% | |
| 201012 | 31,995 | 55,963 | 20,793,023 | 16,471,392 | 3,377,392 | 19,848,783 | 46,585 | 54,425 | 101,010 | 16,471,392 | 3,377,392 | 19,848,783 | 2,388 | 95.5% | 79.5% |
| 201101 | 28,971 | 50,499 | 19,087,602 | 10,203,433 | 1,505,407 | 11,708,840 | 38,196 | 44,725 | 82,921 | 10,203,433 | 1,505,407 | 11,708,840 | 2,195 | 61.4% | 79.1% |
| 201102 | 28,171 | 49,013 | 18,580,847 | 11,271,376 | 1,578,725 | 12,850,102 | 35,958 | 40,770 | 76,728 | 11,271,376 | 1,578,725 | 12,850,102 | 2,155 | 69.2% | 79.6% |
| 201103 | 27,337 | 47,597 | 18,143,477 | 11,709,079 | 2,069,279 | 13,778,358 | 39,270 | 44,307 | 83,577 | 11,709,079 | 2,069,279 | 13,778,358 | 2,151 | 76.0% | 79.7% |
| 201104 | 25,927 | 45,215 | 17,294,185 | 11,459,878 | 1,903,153 | 13,363,030 | 34,666 | 39,180 | 73,846 | 11,459,878 | 1,903,153 | 13,363,030 | 1,947 | 77.3% | 80.1% |
| 201105 | 24,441 | 42,793 | 16,436,940 | 12,111,045 | 1,977,583 | 14,088,629 | 32,994 | 37,937 | 70,931 | 12,111,045 | 1,977,583 | 14,088,629 | 1,728 | 85.7% | 81.1% |
| 201106 | 22,814 | 40,007 | 15,478,086 | 11,734,588 | 2,042,457 | 13,777,045 | 31,860 | 34,496 | 66,356 | 11,735,732 | 2,042,457 | 13,778,189 | 945 | 89.0% | 81.7% |
| 201107 | 21,658 | 38,145 | 14,772,263 | 9,506,228 | 1,896,197 | 11,402,425 | 28,136 | 32,090 | 60,226 | 9,507,155 | 1,896,197 | 11,403,352 | 856 | 77.2% | 82.2% |
| 201108 | 20,432 | 36,154 | 14,062,314 | 10,748,752 | 2,110,737 | 12,859,489 | 30,489 | 32,443 | 62,932 | 10,749,803 | 2,110,737 | 12,860,540 | 659 | 91.5% | 82.3% |
| 201109 | 19,323 | 34,262 | 13,431,757 | 8,106,438 | 1,979,710 | 10,086,148 | 26,805 | 29,992 | 56,797 | 8,107,231 | 1,979,710 | 10,086,941 | 637 | 75.1% | 81.6% |
| 201110 | 18,498 | 32,961 | 12,913,772 | 9,611,888 | 1,966,156 | 11,578,045 | 26,623 | 30,133 | 56,756 | 9,613,780 | 1,966,156 | 11,579,937 | 650 | 89.7% | 81.4% |
| 201111 | 17,392 | 31,217 | 12,300,986 | 9,051,663 | 1,929,008 | 10,980,672 | 25,010 | 27,834 | 52,844 | 9,056,076 | 1,929,008 | 10,985,085 | 604 | 89.3% | 80.9% |
| 201112 | 15,401 | 27,682 | 11,018,164 | 8,810,977 | 1,953,948 | 10,764,926 | 22,356 | 26,939 | 49,295 | 8,817,051 | 1,954,138 | 10,771,189 | 866 | 97.8% | 80.2% |
| 201201 | 13,857 | 24,702 | 9,864,133 | 4,747,893 | 970,573 | 5,718,466 | 19,597 | 21,184 | 40,781 | 4,754,245 | 970,667 | 5,724,911 | 818 | 58.0% | 81.1% |
| 201202 | 13,505 | 24,017 | 9,605,105 | 5,842,265 | 1,057,682 | 6,899,946 | 18,055 | 19,809 | 37,864 | 5,855,426 | 1,057,782 | 6,913,208 | 809 | 72.0% | 81.9% |
| 201203 | 13,176 | 23,406 | 9,409,286 | 6,107,800 | 1,138,426 | 7,246,225 | 18,597 | 21,142 | 39,739 | 6,223,093 | 1,138,636 | 7,361,728 | 438 | 78.2% | 82.3% |
| 201204 | 12,766 | 22,669 | 9,090,912 | 5,927,330 | 1,132,292 | 7,059,622 | 17,145 | 19,274 | 36,419 | 5,962,283 | 1,132,507 | 7,094,790 | 435 | 78.0% | 82.7% |
| 201205 | 12,758 | 22,958 | 9,174,911 | 6,045,020 | 1,233,838 | 7,278,859 | 17,903 | 19,820 | 37,723 | 6,094,958 | 1,234,193 | 7,329,151 | 422 | 79.9% | 82.1% |
| 201206 | 12,113 | 21,738 | 8,697,034 | 5,516,101 | 1,106,100 | 6,622,201 | 15,632 | 17,947 | 33,579 | 5,631,493 | 1,106,518 | 6,738,011 | 350 | 77.5% | 81.0% |
| 201207 | 11,120 | 19,898 | 7,991,202 | 4,827,572 | 1,174,647 | 6,002,219 | 14,395 | 17,159 | 31,554 | 4,913,166 | 1,175,210 | 6,088,376 | 344 | 76.2% | 81.2% |
| 201208 | 10,590 | 18,922 | 7,582,841 | 5,768,023 | 1,120,394 | 6,888,417 | 15,123 | 16,618 | 31,741 | 5,928,531 | 1,121,138 | 7,049,668 | 241 | 93.0% | 80.7% |
| 201209 | 10,438 | 18,606 | 7,451,345 | 5,266,303 | 1,038,530 | 6,304,833 | 12,861 | 15,827 | 28,688 | 5,480,417 | 1,040,112 | 6,520,529 | 238 | 87.5% | 81.8% |
| 201210 | 10,132 | 18,045 | 7,266,678 | 5,347,094 | 1,121,717 | 6,468,811 | 14,967 | 17,201 | 32,168 | 5,835,838 | 1,124,851 | 6,960,689 | 153 | 95.8% | 81.8% |
| 201211 | 9,792 | 17,412 | 7,065,560 | 4,947,009 | 1,092,641 | 6,039,650 | 13,310 | 16,122 | 29,432 | 5,956,547 | 1,107,666 | 7,064,213 | 144 | 100.0% | 82.2% |
| 201212 | 9,161 | 16,307 | 6,748,683 | 2,032,329 | 723,385 | 2,755,714 | 7,781 | 11,268 | 19,049 | 5,428,616 | 982,278 | 6,410,894 | 210 | 95.0% | 81.3% |

Exhibit S - Data Requirements

HMO Colorado, Inc. Small Group

EXPERIENCE SUMMARY - NON-GRANDFATHERED - SMALL GROUP HMO AND PPO COMBINED

| YearMo | Contracts | Members | Premium | Incurred & Paid Claims | | | Incurred & Paid Claim Counts | | | Estimated Incurred Claims | | | Capitation | Ratio | Rolling 12 Loss Ratio |
|--------|-----------|---------|------------|------------------------|-----------|------------|------------------------------|--------|--------|---------------------------|-----------|------------|------------|--------|--------------------------|
| | | | | Medical | Rx | Total | Medical | Rx | Total | Medical | Rx | Total | | | |
| 201001 | 606 | 1,004 | 484,705 | 3,923,193 | 164,140 | 4,087,334 | 1,244 | 1,978 | 3,222 | 3,923,193 | 164,140 | 4,087,334 | 98 | 843.3% | |
| 201002 | 594 | 985 | 483,499 | 269,474 | 162,847 | 432,321 | 1,091 | 1,847 | 2,938 | 269,474 | 162,847 | 432,321 | 88 | 89.4% | |
| 201003 | 596 | 977 | 486,572 | 289,327 | 177,101 | 466,427 | 1,231 | 1,929 | 3,160 | 289,327 | 177,101 | 466,427 | 88 | 95.9% | |
| 201004 | 581 | 951 | 476,685 | 356,306 | 167,337 | 523,643 | 1,171 | 1,814 | 2,985 | 356,306 | 167,337 | 523,643 | 79 | 109.9% | |
| 201005 | 561 | 934 | 467,976 | 305,684 | 147,476 | 453,160 | 1,005 | 1,608 | 2,613 | 305,684 | 147,476 | 453,160 | 77 | 96.9% | |
| 201006 | 555 | 929 | 470,217 | 545,982 | 151,502 | 697,483 | 1,231 | 1,824 | 3,055 | 545,982 | 151,502 | 697,483 | 92 | 148.4% | |
| 201007 | 851 | 1,477 | 697,823 | 503,549 | 175,580 | 679,129 | 1,387 | 2,393 | 3,780 | 503,549 | 175,580 | 679,129 | 89 | 97.3% | |
| 201008 | 1,224 | 2,087 | 947,067 | 608,162 | 240,476 | 848,638 | 2,025 | 3,127 | 5,152 | 608,162 | 240,476 | 848,638 | 88 | 89.6% | |
| 201009 | 1,502 | 2,541 | 1,147,784 | 500,160 | 231,875 | 732,035 | 2,194 | 3,028 | 5,222 | 500,160 | 231,875 | 732,035 | 89 | 63.8% | |
| 201010 | 2,335 | 3,954 | 1,656,912 | 840,044 | 278,193 | 1,118,238 | 3,165 | 3,882 | 7,047 | 840,044 | 278,193 | 1,118,238 | 90 | 67.5% | |
| 201011 | 3,644 | 6,256 | 2,492,710 | 1,175,778 | 375,785 | 1,551,562 | 4,705 | 5,742 | 10,447 | 1,175,778 | 375,785 | 1,551,562 | 99 | 62.2% | |
| 201012 | 5,639 | 9,578 | 3,735,635 | 2,010,391 | 543,516 | 2,553,907 | 6,829 | 9,108 | 15,937 | 2,010,391 | 543,516 | 2,553,907 | 107 | 68.4% | 104.4% |
| 201101 | 7,134 | 12,331 | 4,641,553 | 2,144,512 | 476,923 | 2,621,435 | 9,108 | 11,304 | 20,412 | 2,144,512 | 476,923 | 2,621,435 | 117 | 56.5% | 71.6% |
| 201102 | 7,462 | 12,949 | 4,862,515 | 2,535,391 | 489,168 | 3,024,559 | 9,165 | 11,144 | 20,309 | 2,535,391 | 489,168 | 3,024,559 | 129 | 62.2% | 69.2% |
| 201103 | 7,897 | 13,724 | 5,134,066 | 2,830,907 | 670,459 | 3,501,366 | 10,918 | 13,068 | 23,986 | 2,830,907 | 670,459 | 3,501,366 | 167 | 68.2% | 68.5% |
| 201104 | 8,852 | 15,384 | 5,807,876 | 3,381,586 | 714,672 | 4,096,258 | 11,794 | 13,824 | 25,618 | 3,381,586 | 714,672 | 4,096,258 | 158 | 70.5% | 68.2% |
| 201105 | 9,895 | 17,176 | 6,470,812 | 3,647,821 | 804,006 | 4,451,827 | 13,293 | 15,726 | 29,019 | 3,647,821 | 804,006 | 4,451,827 | 205 | 68.8% | 68.0% |
| 201106 | 11,201 | 19,399 | 7,316,821 | 4,893,394 | 1,020,677 | 5,914,071 | 14,612 | 17,847 | 32,459 | 4,893,871 | 1,020,677 | 5,914,548 | 111 | 80.8% | 69.2% |
| 201107 | 12,104 | 20,904 | 7,896,805 | 3,729,647 | 975,519 | 4,705,166 | 14,307 | 18,177 | 32,484 | 3,730,015 | 975,519 | 4,705,534 | 141 | 59.6% | 67.4% |
| 201108 | 12,994 | 22,451 | 8,464,831 | 5,241,341 | 1,116,739 | 6,358,080 | 18,101 | 20,627 | 38,728 | 5,241,854 | 1,116,739 | 6,358,593 | 128 | 75.1% | 68.1% |
| 201109 | 13,981 | 24,085 | 9,087,405 | 4,772,621 | 1,310,570 | 6,083,191 | 17,674 | 21,634 | 39,308 | 4,773,093 | 1,310,570 | 6,083,663 | 159 | 66.9% | 68.1% |
| 201110 | 14,748 | 25,279 | 9,484,968 | 5,186,391 | 1,300,026 | 6,486,417 | 18,729 | 23,085 | 41,814 | 5,187,416 | 1,300,026 | 6,487,442 | 162 | 68.4% | 68.1% |
| 201111 | 15,845 | 27,006 | 10,074,647 | 6,412,125 | 1,421,193 | 7,833,317 | 20,002 | 24,124 | 44,126 | 6,415,281 | 1,421,193 | 7,836,474 | 138 | 77.8% | 69.5% |
| 201112 | 17,960 | 30,648 | 11,308,586 | 8,554,969 | 1,649,648 | 10,204,617 | 22,614 | 28,310 | 50,924 | 8,560,912 | 1,649,810 | 10,210,722 | 422 | 90.3% | 72.1% |
| 201201 | 19,478 | 33,470 | 12,172,040 | 6,164,591 | 1,059,459 | 7,224,050 | 24,142 | 26,737 | 50,879 | 6,173,012 | 1,059,562 | 7,232,574 | 452 | 59.4% | 71.3% |
| 201202 | 19,821 | 34,115 | 12,391,421 | 6,746,678 | 1,198,003 | 7,944,681 | 24,568 | 26,744 | 51,312 | 6,761,941 | 1,198,119 | 7,960,061 | 446 | 64.2% | 70.9% |
| 201203 | 20,203 | 34,819 | 12,604,545 | 6,798,751 | 1,414,631 | 8,213,382 | 25,573 | 29,236 | 54,809 | 6,930,338 | 1,414,908 | 8,345,246 | 220 | 66.2% | 70.5% |
| 201204 | 20,555 | 35,523 | 12,807,719 | 6,954,208 | 1,472,887 | 8,427,095 | 24,869 | 27,850 | 52,719 | 6,996,269 | 1,473,176 | 8,469,445 | 230 | 66.1% | 70.0% |
| 201205 | 20,856 | 36,111 | 12,988,419 | 8,566,877 | 1,656,185 | 10,223,062 | 25,529 | 29,412 | 54,941 | 8,638,477 | 1,656,673 | 10,295,150 | 227 | 79.3% | 71.0% |
| 201206 | 21,401 | 37,142 | 13,445,980 | 9,607,124 | 1,481,896 | 11,089,020 | 24,787 | 28,549 | 53,336 | 9,810,177 | 1,482,476 | 11,292,653 | 252 | 84.0% | 71.8% |
| 201207 | 22,534 | 39,400 | 14,290,508 | 8,909,386 | 1,684,324 | 10,593,710 | 26,417 | 31,108 | 57,525 | 9,069,702 | 1,685,148 | 10,754,850 | 256 | 75.3% | 72.8% |
| 201208 | 23,113 | 40,620 | 14,739,895 | 10,146,402 | 2,026,851 | 12,173,253 | 30,021 | 33,105 | 63,126 | 10,429,077 | 2,028,242 | 12,457,319 | 352 | 84.5% | 73.9% |
| 201209 | 23,350 | 40,950 | 14,819,882 | 9,368,393 | 1,831,612 | 11,200,005 | 26,432 | 31,375 | 57,807 | 9,751,370 | 1,834,497 | 11,585,867 | 352 | 78.2% | 74.7% |
| 201210 | 23,657 | 41,221 | 14,897,167 | 10,394,819 | 2,171,135 | 12,565,953 | 31,611 | 36,485 | 68,096 | 11,350,186 | 2,177,182 | 13,527,368 | 208 | 90.8% | 76.6% |
| 201211 | 24,164 | 42,149 | 15,212,099 | 8,573,915 | 2,046,731 | 10,620,646 | 28,096 | 35,470 | 63,566 | 10,322,167 | 2,077,346 | 12,399,514 | 214 | 81.5% | 77.0% |
| 201212 | 24,856 | 43,353 | 15,590,130 | 4,252,764 | 1,734,208 | 5,986,972 | 17,705 | 27,503 | 45,208 | 11,376,452 | 2,354,099 | 13,730,551 | 360 | 88.1% | 77.2% |

Exhibit S - Data Requirements

HMO Colorado, Inc. Small Group

THREE-YEAR EXPERIENCE HISTORY - SMALL GROUP HMO AND PPO COMBINED - Medical and Pharmacy combined

| Time Period | Gross | | | | | | | | | |
|---|----------------------|------------------------------------|-----------------------------|-----------------------|--------------|----------------|--------------|-----------------|---------------|-----------------------|
| | Earned Premium | Incurred and Paid Cost of Care (*) | Outstanding Claim Liability | Fully Incurred Claims | Gross Margin | Loss Ratio (%) | Claim Counts | Contract Months | Member Months | Average Member Months |
| 2010 | 290,854,877 | 234,622,045 | (0) | 234,657,266 | 56,197,610 | 80.7% | 1,424,473 | 463,078 | 807,021 | 67,252 |
| 2011 | 274,071,278 | 212,518,013 | 28,600 | 212,564,044 | 61,507,234 | 77.6% | 1,192,396 | 410,437 | 716,881 | 59,740 |
| 2012 | 265,907,494 | 191,546,790 | 17,759,976 | 209,314,934 | 56,592,560 | 78.7% | 1,072,061 | 403,395 | 707,554 | 58,963 |
| Experience Period: Nov 2011 - Oct 2012 | 265,993,406 | 205,927,341 | 3,577,723 | 209,514,335 | 56,479,070 | 78.8% | 1,111,995 | 402,019 | 704,886 | 58,741 |
| Time Period | Per Member Per Month | | | | | | | | | |
| | Earned Premium | Incurred and Paid Cost of Care (*) | Outstanding Claim Liability | Fully Incurred Claims | Gross Margin | Loss Ratio (%) | Claim Counts | Contract Months | Member Months | Average Member Months |
| 2010 | 360.41 | 290.73 | (0.00) | 290.77 | 69.64 | 80.7% | 1.77 | 463,078 | 807,021 | 67,252 |
| 2011 | 382.31 | 296.45 | 0.04 | 296.51 | 85.80 | 77.6% | 1.66 | 410,437 | 716,881 | 59,740 |
| 2012 | 375.81 | 270.72 | 25.10 | 295.83 | 79.98 | 78.7% | 1.52 | 403,395 | 707,554 | 58,963 |
| Experience Period: Nov 2011 - Oct 2012 | 377.36 | 292.14 | 5.08 | 297.23 | 80.13 | 78.8% | 1.58 | 402,019 | 704,886 | 58,741 |

NOTES:

(*) Claim payments through December 31, 2012

Exhibit S - Data Requirements

HMO Colorado, Inc. Small Group

THREE-YEAR EXPERIENCE HISTORY - SMALL GROUP HMO AND PPO COMBINED - Pharmacy Only

| Time Period | Gross | | | | | | | | | |
|---|----------------------|------------------------------------|-----------------------------|-----------------------|--------------|-----------------|--------------|-----------------|---------------|-----------------------|
| | Earned Premium | Incurred and Paid Cost of Care (*) | Outstanding Claim Liability | Fully Incurred Claims | Gross Margin | Loss Ratio (**) | Claim Counts | Contract Months | Member Months | Average Member Months |
| 2010 | 290,854,877 | 36,311,139 | - | 36,311,139 | 254,543,738 | 12.5% | 804,109 | 463,078 | 807,021 | 67,252 |
| 2011 | 274,071,278 | 34,861,961 | 352 | 34,862,313 | 239,208,965 | 12.7% | 639,716 | 410,437 | 716,881 | 59,740 |
| 2012 | 265,907,494 | 32,688,146 | 944,839 | 33,632,986 | 232,274,508 | 12.6% | 576,945 | 403,395 | 707,554 | 58,963 |
| Experience Period: Nov 2011 - Oct 2012 | 265,993,406 | 34,044,979 | 20,766 | 34,065,746 | 231,927,660 | 12.8% | 593,789 | 402,019 | 704,886 | 58,741 |
| Time Period | Per Member Per Month | | | | | | | | | |
| | Earned Premium | Incurred and Paid Cost of Care (*) | Outstanding Claim Liability | Fully Incurred Claims | Gross Margin | Loss Ratio (**) | Claim Counts | Contract Months | Member Months | Average Member Months |
| 2010 | 360.41 | 44.99 | - | 44.99 | 315.41 | 12.5% | 1.00 | 463,078 | 807,021 | 67,252 |
| 2011 | 382.31 | 48.63 | 0.00 | 48.63 | 333.68 | 12.7% | 0.89 | 410,437 | 716,881 | 59,740 |
| 2012 | 375.81 | 46.20 | 1.34 | 47.53 | 328.28 | 12.6% | 0.82 | 403,395 | 707,554 | 58,963 |
| Experience Period: Nov 2011 - Oct 2012 | 377.36 | 48.30 | 0.03 | 48.33 | 329.03 | 12.8% | 0.84 | 402,019 | 704,886 | 58,741 |

NOTES:

(*) Claim payments through December 31, 2012

(**) Premium includes medical and pharmacy.

Exhibit T - Trend Exhibit**HMO Colorado, Inc.
Small Group****Cost and Utilization Trend Assumptions**

| Proposed Trends Effective Jan 1, 2014 | | | | | |
|--|---------------|-------------|-------|-----------|-------|
| Category | Medical Trend | | | Insurance | Total |
| | Contractual | Utilization | Other | Trend | |
| Inpatient Hospital | 4.7% | 0.3% | 4.8% | 0.5% | 10.6% |
| Outpatient Hospital | 4.8% | 2.6% | 3.5% | 0.5% | 11.9% |
| Physician | 3.7% | 0.6% | 2.6% | 0.5% | 7.6% |
| Prescription Drug | 6.1% | 0.5% | 2.0% | 2.5% | 11.4% |
| Total Proposed Trend | | | | | 10.1% |
| Proposed Medical Trend | | | | | 9.9% |
| Proposed Prescription Drug Trend | | | | | 11.4% |

Exhibit T - Trend Exhibit

HMO Colorado, Inc.
Small Group

Trend Detail

Non-normalized Paid Claims, without IBNR
All Business
HMO Large Group

| Date | Members | Monthly Paid Pharmacy Claims | Monthly Paid Rx Claims PMPM | Monthly Paid Medical Claims | Monthly Paid Medical Claims PMPM | Monthly Paid Total Claims | Monthly Paid Total Claims PMPM |
|--------|---------|---------------------------------------|--------------------------------------|--------------------------------------|--|---------------------------------|---|
| 200701 | 40,005 | 1,294,381 | \$32.36 | 7,615,394 | \$190.36 | 8,909,775 | \$222.72 |
| 200702 | 39,885 | 1,200,801 | \$30.11 | 6,728,885 | \$168.71 | 7,929,687 | \$198.81 |
| 200703 | 40,519 | 1,319,085 | \$32.55 | 8,215,239 | \$202.75 | 9,534,324 | \$235.31 |
| 200704 | 40,840 | 1,338,438 | \$32.77 | 7,971,148 | \$195.18 | 9,309,585 | \$227.95 |
| 200705 | 40,833 | 1,382,058 | \$33.85 | 8,500,031 | \$208.16 | 9,882,089 | \$242.01 |
| 200706 | 40,932 | 1,339,889 | \$32.73 | 7,786,934 | \$190.24 | 9,126,823 | \$222.97 |
| 200707 | 41,361 | 1,233,266 | \$29.82 | 7,682,340 | \$185.74 | 8,915,606 | \$215.56 |
| 200708 | 41,735 | 1,447,282 | \$34.68 | 7,685,986 | \$184.16 | 9,133,268 | \$218.84 |
| 200709 | 42,109 | 1,254,369 | \$29.79 | 7,274,704 | \$172.76 | 8,529,073 | \$202.55 |
| 200710 | 42,079 | 1,452,713 | \$34.52 | 8,266,975 | \$196.46 | 9,719,688 | \$230.99 |
| 200711 | 42,112 | 1,405,511 | \$33.38 | 7,527,251 | \$178.74 | 8,932,763 | \$212.12 |
| 200712 | 42,408 | 1,412,947 | \$33.32 | 7,121,645 | \$167.93 | 8,534,592 | \$201.25 |
| 200801 | 43,070 | 1,544,393 | \$35.86 | 10,005,115 | \$232.30 | 11,549,508 | \$268.15 |
| 200802 | 42,789 | 1,501,551 | \$35.09 | 8,901,477 | \$208.03 | 10,403,028 | \$243.13 |
| 200803 | 42,395 | 1,516,249 | \$35.76 | 8,963,751 | \$211.43 | 10,480,000 | \$247.20 |
| 200804 | 42,310 | 1,555,708 | \$36.77 | 8,839,059 | \$208.91 | 10,394,767 | \$245.68 |
| 200805 | 42,139 | 1,581,159 | \$37.52 | 8,175,578 | \$194.02 | 9,756,737 | \$231.54 |
| 200806 | 41,967 | 1,540,485 | \$36.71 | 9,851,679 | \$234.75 | 11,392,163 | \$271.45 |
| 200807 | 40,448 | 1,506,255 | \$37.24 | 8,725,594 | \$215.73 | 10,231,849 | \$252.96 |
| 200808 | 40,437 | 1,415,951 | \$35.02 | 7,663,245 | \$189.51 | 9,079,196 | \$224.53 |
| 200809 | 39,854 | 1,467,765 | \$36.83 | 8,169,532 | \$204.99 | 9,637,297 | \$241.81 |
| 200810 | 39,984 | 1,476,354 | \$36.92 | 9,212,335 | \$230.40 | 10,688,689 | \$267.32 |
| 200811 | 39,752 | 1,374,737 | \$34.58 | 8,718,545 | \$219.32 | 10,093,281 | \$253.91 |
| 200812 | 39,146 | 1,627,468 | \$41.57 | 8,464,769 | \$216.24 | 10,092,238 | \$257.81 |
| 200901 | 39,332 | 1,570,864 | \$39.94 | 8,271,012 | \$210.29 | 9,841,876 | \$250.23 |
| 200902 | 39,379 | 1,452,582 | \$36.89 | 8,331,886 | \$211.58 | 9,784,468 | \$248.47 |
| 200903 | 38,897 | 1,685,368 | \$43.33 | 10,538,310 | \$270.93 | 12,223,678 | \$314.26 |
| 200904 | 38,206 | 1,600,560 | \$41.89 | 8,795,470 | \$230.21 | 10,396,030 | \$272.10 |
| 200905 | 38,293 | 1,536,451 | \$40.12 | 8,257,729 | \$215.65 | 9,794,180 | \$255.77 |
| 200906 | 38,342 | 1,558,795 | \$40.65 | 9,391,493 | \$244.94 | 10,950,288 | \$285.59 |
| 200907 | 37,077 | 1,587,168 | \$42.81 | 8,707,293 | \$234.85 | 10,294,461 | \$277.65 |
| 200908 | 37,161 | 1,549,872 | \$41.71 | 8,764,897 | \$235.87 | 10,314,769 | \$277.57 |
| 200909 | 37,361 | 1,561,333 | \$41.79 | 9,288,997 | \$248.63 | 10,850,330 | \$290.42 |
| 200910 | 36,995 | 1,629,806 | \$44.05 | 8,285,244 | \$223.95 | 9,915,050 | \$268.01 |
| 200911 | 36,813 | 1,514,735 | \$41.15 | 8,538,995 | \$231.96 | 10,053,730 | \$273.11 |
| 200912 | 37,259 | 1,677,892 | \$45.03 | 8,625,031 | \$231.49 | 10,302,923 | \$276.52 |
| 201001 | 34,773 | 1,342,857 | \$38.62 | 8,988,447 | \$258.49 | 10,331,303 | \$297.11 |
| 201002 | 34,663 | 1,327,682 | \$38.30 | 7,822,098 | \$225.66 | 9,149,780 | \$263.96 |
| 201003 | 34,522 | 1,502,661 | \$43.53 | 9,668,461 | \$280.07 | 11,171,122 | \$323.60 |
| 201004 | 33,167 | 1,377,797 | \$41.54 | 7,525,513 | \$226.90 | 8,903,310 | \$268.44 |
| 201005 | 33,151 | 1,399,051 | \$42.20 | 7,791,502 | \$235.03 | 9,190,552 | \$277.24 |
| 201006 | 32,808 | 1,406,659 | \$42.88 | 7,853,666 | \$239.38 | 9,260,325 | \$282.26 |
| 201007 | 33,237 | 1,443,194 | \$43.42 | 7,673,384 | \$230.87 | 9,116,578 | \$274.29 |
| 201008 | 32,804 | 1,493,203 | \$45.52 | 8,363,212 | \$254.95 | 9,856,415 | \$300.46 |
| 201009 | 32,484 | 1,372,223 | \$42.24 | 8,041,886 | \$247.56 | 9,414,109 | \$289.81 |
| 201010 | 31,924 | 1,358,724 | \$42.56 | 8,529,512 | \$267.18 | 9,888,236 | \$309.75 |
| 201011 | 31,952 | 1,406,734 | \$44.03 | 7,755,268 | \$242.72 | 9,162,002 | \$286.75 |
| 201012 | 32,000 | 1,499,683 | \$46.86 | 8,349,363 | \$260.91 | 9,849,046 | \$307.78 |
| 201101 | 30,028 | 1,378,045 | \$45.89 | 7,763,439 | \$258.54 | 9,141,484 | \$304.43 |
| 201102 | 29,666 | 1,307,657 | \$44.08 | 6,753,642 | \$227.65 | 8,061,299 | \$271.73 |
| 201103 | 29,146 | 1,482,523 | \$50.87 | 8,262,699 | \$283.49 | 9,745,222 | \$334.36 |
| 201104 | 28,502 | 1,395,526 | \$48.96 | 7,129,085 | \$250.12 | 8,524,611 | \$299.08 |
| 201105 | 28,389 | 1,413,164 | \$49.78 | 7,974,322 | \$280.89 | 9,387,486 | \$330.67 |
| 201106 | 28,304 | 1,480,460 | \$52.31 | 8,190,028 | \$289.36 | 9,670,488 | \$341.67 |
| 201107 | 28,255 | 1,369,697 | \$48.48 | 7,602,867 | \$269.08 | 8,972,564 | \$317.56 |
| 201108 | 28,496 | 1,495,179 | \$52.47 | 8,205,408 | \$287.95 | 9,700,586 | \$340.42 |
| 201109 | 28,443 | 1,418,088 | \$49.86 | 8,287,670 | \$291.37 | 9,705,758 | \$341.23 |
| 201110 | 28,068 | 1,346,723 | \$47.98 | 6,743,310 | \$240.25 | 8,090,032 | \$288.23 |
| 201111 | 28,138 | 1,423,002 | \$50.57 | 6,977,200 | \$247.97 | 8,400,203 | \$298.54 |
| 201112 | 27,971 | 1,478,074 | \$52.84 | 6,983,263 | \$249.66 | 8,461,337 | \$302.51 |
| 201201 | 25,656 | 1,321,641 | \$51.51 | 6,785,363 | \$264.47 | 8,107,005 | \$315.99 |
| 201202 | 25,487 | 1,309,065 | \$51.36 | 6,546,587 | \$256.86 | 7,855,652 | \$308.22 |
| 201203 | 25,360 | 1,412,026 | \$55.68 | 6,273,436 | \$247.37 | 7,685,463 | \$303.05 |
| 201204 | 25,244 | 1,266,120 | \$50.16 | 6,572,510 | \$260.36 | 7,838,630 | \$310.51 |
| 201205 | 24,927 | 1,269,523 | \$50.93 | 6,675,009 | \$267.79 | 7,944,532 | \$318.72 |
| 201206 | 25,029 | 1,262,466 | \$50.44 | 7,974,835 | \$318.62 | 9,237,301 | \$369.06 |
| 201207 | 24,850 | 1,263,059 | \$50.83 | 7,133,511 | \$287.06 | 8,396,570 | \$337.89 |
| 201208 | 24,563 | 1,255,112 | \$51.10 | 6,887,205 | \$280.39 | 8,142,317 | \$331.49 |
| 201209 | 24,717 | 1,162,838 | \$47.05 | 5,757,118 | \$232.92 | 6,919,957 | \$279.97 |
| 201210 | 24,507 | 1,300,733 | \$53.08 | 6,402,797 | \$261.27 | 7,703,530 | \$314.35 |
| 201211 | 23,940 | 1,195,058 | \$49.92 | 5,818,870 | \$243.06 | 7,013,928 | \$292.98 |
| 201212 | 24,115 | 1,198,715 | \$49.71 | 6,300,583 | \$261.28 | 7,499,298 | \$310.98 |

Exhibit T - Trend Exhibit

HMO Colorado, Inc.
Small Group

Trend Detail

Non-normalized Paid Claims, with IBNR
All Business
HMO Large Group

| Date | Members | Monthly Paid Pharmacy Claims | Monthly Paid Rx Claims PMPM | Monthly Paid Medical Claims | Monthly Paid Medical Claims PMPM | Monthly Paid Total Claims | Monthly Paid Total Claims PMPM | Rolling 12 Pharmacy PMPM | Rolling 12 Medical PMPM | Rolling 12 Combined PMPM | Rolling 12 Pharmacy Trend | Rolling 12 Medical Trend | Rolling 12 Combined Trend |
|--------|---------|------------------------------|-----------------------------|-----------------------------|----------------------------------|---------------------------|--------------------------------|--------------------------|-------------------------|--------------------------|---------------------------|--------------------------|---------------------------|
| 200701 | 40,005 | 1,294,381 | \$32.36 | 7,615,394 | \$190.36 | 8,909,775 | \$222.72 | | | | | | |
| 200702 | 39,885 | 1,200,801 | \$30.11 | 6,728,885 | \$168.71 | 7,929,687 | \$198.81 | | | | | | |
| 200703 | 40,519 | 1,319,085 | \$32.55 | 8,215,239 | \$202.75 | 9,534,324 | \$235.31 | | | | | | |
| 200704 | 40,840 | 1,338,438 | \$32.77 | 7,971,148 | \$195.18 | 9,309,585 | \$227.95 | | | | | | |
| 200705 | 40,833 | 1,382,058 | \$33.85 | 8,500,031 | \$208.16 | 9,882,089 | \$242.01 | | | | | | |
| 200706 | 40,932 | 1,339,889 | \$32.73 | 7,786,934 | \$190.24 | 9,126,823 | \$222.97 | | | | | | |
| 200707 | 41,361 | 1,233,266 | \$29.82 | 7,682,340 | \$185.74 | 8,915,606 | \$215.56 | | | | | | |
| 200708 | 41,735 | 1,447,282 | \$34.68 | 7,685,986 | \$184.16 | 9,133,268 | \$218.84 | | | | | | |
| 200709 | 42,109 | 1,254,369 | \$29.79 | 7,274,704 | \$172.76 | 8,529,073 | \$202.55 | | | | | | |
| 200710 | 42,079 | 1,452,713 | \$34.52 | 8,266,975 | \$196.46 | 9,719,688 | \$230.99 | | | | | | |
| 200711 | 42,112 | 1,405,511 | \$33.38 | 7,527,251 | \$178.74 | 8,932,763 | \$212.12 | | | | | | |
| 200712 | 42,408 | 1,412,947 | \$33.32 | 7,121,645 | \$167.93 | 8,534,592 | \$201.25 | \$32.50 | \$186.69 | \$219.19 | | | |
| 200801 | 43,070 | 1,544,393 | \$35.86 | 10,005,115 | \$232.30 | 11,549,508 | \$268.15 | \$32.80 | \$190.34 | \$223.14 | | | |
| 200802 | 42,789 | 1,501,551 | \$35.09 | 8,901,477 | \$208.03 | 10,403,028 | \$243.13 | \$33.21 | \$193.57 | \$226.78 | | | |
| 200803 | 42,395 | 1,516,249 | \$35.76 | 8,963,751 | \$211.43 | 10,480,000 | \$247.20 | \$33.48 | \$194.34 | \$227.82 | | | |
| 200804 | 42,310 | 1,555,708 | \$36.77 | 8,839,059 | \$208.91 | 10,394,767 | \$245.68 | \$33.81 | \$195.49 | \$229.31 | | | |
| 200805 | 42,139 | 1,581,159 | \$37.52 | 8,175,578 | \$194.02 | 9,756,737 | \$231.54 | \$34.12 | \$194.35 | \$228.47 | | | |
| 200806 | 41,967 | 1,540,485 | \$36.71 | 9,851,679 | \$234.75 | 11,392,163 | \$271.45 | \$34.45 | \$198.03 | \$232.47 | | | |
| 200807 | 40,448 | 1,506,255 | \$37.24 | 8,725,594 | \$215.73 | 10,231,849 | \$252.96 | \$35.05 | \$200.45 | \$235.50 | | | |
| 200808 | 40,437 | 1,415,951 | \$35.02 | 7,663,245 | \$189.51 | 9,079,196 | \$224.53 | \$35.08 | \$200.92 | \$235.99 | | | |
| 200809 | 39,854 | 1,467,765 | \$36.83 | 8,169,532 | \$204.99 | 9,637,297 | \$241.81 | \$35.66 | \$203.60 | \$239.26 | | | |
| 200810 | 39,984 | 1,476,354 | \$36.92 | 9,212,335 | \$230.40 | 10,688,689 | \$267.32 | \$35.85 | \$206.35 | \$242.20 | | | |
| 200811 | 39,752 | 1,374,737 | \$34.58 | 8,718,545 | \$219.32 | 10,093,281 | \$253.91 | \$35.96 | \$209.72 | \$245.68 | | | |
| 200812 | 39,146 | 1,627,468 | \$41.57 | 8,464,769 | \$216.24 | 10,092,238 | \$257.81 | \$36.63 | \$213.82 | \$250.46 | 12.7% | 14.5% | 14.3% |
| 200901 | 39,332 | 1,570,864 | \$39.94 | 8,271,012 | \$210.29 | 9,841,876 | \$250.23 | \$36.97 | \$211.92 | \$248.89 | 12.7% | 11.3% | 11.5% |
| 200902 | 39,379 | 1,452,582 | \$36.89 | 8,331,886 | \$211.58 | 9,784,468 | \$248.47 | \$37.13 | \$212.23 | \$249.36 | 11.8% | 9.6% | 10.0% |
| 200903 | 38,897 | 1,685,368 | \$43.33 | 10,538,310 | \$270.93 | 12,223,678 | \$314.26 | \$37.74 | \$217.02 | \$254.77 | 12.7% | 11.7% | 11.8% |
| 200904 | 38,206 | 1,600,560 | \$41.89 | 8,795,470 | \$230.21 | 10,396,030 | \$272.10 | \$38.16 | \$218.79 | \$256.95 | 12.9% | 11.9% | 12.1% |
| 200905 | 38,293 | 1,536,451 | \$40.12 | 8,257,729 | \$215.65 | 9,794,180 | \$255.77 | \$38.38 | \$220.73 | \$259.11 | 12.5% | 13.6% | 13.4% |
| 200906 | 38,342 | 1,558,795 | \$40.65 | 9,391,493 | \$244.94 | 10,950,288 | \$285.59 | \$38.71 | \$221.45 | \$260.16 | 12.4% | 11.8% | 11.9% |
| 200907 | 37,077 | 1,587,168 | \$42.81 | 8,707,293 | \$234.85 | 10,294,461 | \$277.65 | \$39.16 | \$223.00 | \$262.16 | 11.7% | 11.3% | 11.3% |
| 200908 | 37,161 | 1,549,872 | \$41.71 | 8,764,897 | \$235.87 | 10,314,769 | \$277.57 | \$39.72 | \$226.94 | \$266.66 | 13.3% | 13.0% | 13.0% |
| 200909 | 37,361 | 1,561,333 | \$41.79 | 9,288,997 | \$248.63 | 10,850,330 | \$290.42 | \$40.14 | \$230.58 | \$270.72 | 12.6% | 13.2% | 13.1% |
| 200910 | 36,995 | 1,629,806 | \$44.05 | 8,285,244 | \$223.95 | 9,915,050 | \$268.01 | \$40.73 | \$230.06 | \$270.80 | 13.6% | 11.5% | 11.8% |
| 200911 | 36,813 | 1,514,735 | \$41.15 | 8,538,995 | \$231.96 | 10,053,730 | \$273.11 | \$41.30 | \$231.15 | \$272.45 | 14.8% | 10.2% | 10.9% |
| 200912 | 37,259 | 1,677,892 | \$45.03 | 8,625,031 | \$231.49 | 10,302,923 | \$276.52 | \$41.58 | \$232.46 | \$274.05 | 13.5% | 8.7% | 9.4% |
| 201001 | 34,773 | 1,342,857 | \$38.62 | 8,988,447 | \$258.49 | 10,331,303 | \$297.11 | \$41.50 | \$236.41 | \$277.90 | 12.3% | 11.6% | 11.7% |
| 201002 | 34,663 | 1,327,682 | \$38.30 | 7,822,127 | \$225.66 | 9,149,809 | \$263.96 | \$41.66 | \$237.76 | \$279.42 | 12.2% | 12.0% | 12.1% |
| 201003 | 34,522 | 1,502,662 | \$43.53 | 9,668,559 | \$280.07 | 11,171,221 | \$323.60 | \$41.66 | \$238.15 | \$279.81 | 10.4% | 9.7% | 9.8% |
| 201004 | 33,167 | 1,377,797 | \$41.54 | 7,525,513 | \$226.90 | 8,903,310 | \$268.44 | \$41.63 | \$237.99 | \$279.62 | 9.1% | 8.8% | 8.8% |
| 201005 | 33,151 | 1,399,051 | \$42.20 | 7,791,773 | \$235.04 | 9,190,823 | \$277.24 | \$41.80 | \$239.75 | \$281.55 | 8.9% | 8.6% | 8.7% |
| 201006 | 32,808 | 1,406,666 | \$42.88 | 7,854,583 | \$239.41 | 9,261,249 | \$282.29 | \$41.99 | \$239.25 | \$281.24 | 8.5% | 8.0% | 8.1% |
| 201007 | 33,237 | 1,443,200 | \$43.42 | 7,674,214 | \$230.89 | 9,117,414 | \$274.31 | \$42.03 | \$238.98 | \$281.01 | 7.3% | 7.2% | 7.2% |
| 201008 | 32,804 | 1,493,210 | \$45.52 | 8,364,167 | \$254.97 | 9,857,376 | \$300.49 | \$42.33 | \$240.51 | \$282.85 | 6.6% | 6.0% | 6.1% |
| 201009 | 32,484 | 1,372,230 | \$42.24 | 8,043,058 | \$247.60 | 9,415,287 | \$289.84 | \$42.38 | \$240.34 | \$282.71 | 5.6% | 4.2% | 4.4% |
| 201010 | 31,924 | 1,358,730 | \$42.56 | 8,531,476 | \$267.25 | 9,890,206 | \$309.81 | \$42.24 | \$243.93 | \$286.17 | 3.7% | 6.0% | 5.7% |
| 201011 | 31,952 | 1,406,768 | \$44.03 | 7,757,432 | \$242.79 | 9,164,200 | \$286.81 | \$42.48 | \$244.94 | \$287.42 | 2.9% | 6.0% | 5.5% |
| 201012 | 32,000 | 1,499,719 | \$46.87 | 8,352,519 | \$261.01 | 9,852,238 | \$307.88 | \$42.59 | \$247.49 | \$290.09 | 2.4% | 6.5% | 5.9% |
| 201101 | 30,028 | 1,378,081 | \$45.89 | 7,765,436 | \$258.60 | 9,143,517 | \$304.50 | \$43.20 | \$247.37 | \$290.57 | 4.1% | 4.6% | 4.6% |
| 201102 | 29,666 | 1,307,691 | \$44.08 | 6,755,380 | \$227.71 | 8,063,070 | \$271.79 | \$43.70 | \$247.80 | \$291.51 | 4.9% | 4.2% | 4.3% |
| 201103 | 29,146 | 1,482,589 | \$50.87 | 8,265,174 | \$283.58 | 9,747,763 | \$334.45 | \$44.27 | \$247.62 | \$291.88 | 6.3% | 4.0% | 4.3% |
| 201104 | 28,502 | 1,395,589 | \$48.96 | 7,131,522 | \$250.21 | 8,527,112 | \$299.17 | \$44.86 | \$249.63 | \$294.49 | 7.8% | 4.9% | 5.3% |
| 201105 | 28,389 | 1,413,225 | \$49.78 | 7,977,562 | \$281.01 | 9,390,787 | \$330.79 | \$45.47 | \$253.32 | \$298.79 | 8.8% | 5.7% | 6.1% |
| 201106 | 28,304 | 1,480,476 | \$52.31 | 8,193,153 | \$289.47 | 9,673,630 | \$341.78 | \$46.23 | \$257.33 | \$303.56 | 10.1% | 7.6% | 7.9% |
| 201107 | 28,255 | 1,369,715 | \$48.48 | 7,605,531 | \$269.18 | 8,975,246 | \$317.66 | \$46.66 | \$260.67 | \$307.33 | 11.0% | 9.1% | 9.4% |
| 201108 | 28,496 | 1,495,217 | \$52.47 | 8,208,843 | \$288.07 | 9,704,060 | \$340.54 | \$47.22 | \$263.37 | \$310.59 | 11.5% | 9.5% | 9.8% |
| 201109 | 28,443 | 1,418,119 | \$49.86 | 8,292,660 | \$291.55 | 9,710,778 | \$341.41 | \$47.89 | \$267.07 | \$314.96 | 13.0% | 11.1% | 11.4% |
| 201110 | 28,068 | 1,346,757 | \$47.98 | 6,748,185 | \$240.42 | 8,094,942 | \$288.40 | \$48.38 | \$264.92 | \$313.30 | 14.5% | 8.6% | 9.5% |
| 201111 | 28,138 | 1,423,072 | \$50.58 | 6,983,421 | \$248.19 | 8,406,493 | \$298.76 | \$48.96 | \$265.60 | \$314.56 | 15.3% | 8.4% | 9.4% |
| 201112 | 27,971 | 1,478,199 | \$52.85 | 6,990,900 | \$249.94 | 8,469,100 | \$302.78 | \$49.47 | \$264.75 | \$314.22 | 16.1% | 7.0% | 8.3% |
| 201201 | 25,656 | 1,321,763 | \$51.52 | 6,794,394 | \$264.83 | 8,116,158 | \$316.34 | \$49.94 | \$265.30 | \$315.24 | 15.6% | 7.3% | 8.5% |
| 201202 | 25,487 | 1,309,159 | \$51.37 | 6,557,616 | \$257.29 | 7,866,774 | \$308.66 | \$50.57 | \$268.02 | \$318.59 | 15.7% | 8.2% | 9.3% |
| 201203 | 25,360 | 1,412,137 | \$55.68 | 6,285,256 | \$247.84 | 7,697,393 | \$303.52 | \$50.94 | \$265.11 | \$316.04 | 15.1% | 7.1% | 8.3% |
| 201204 | 25,244 | 1,266,245 | \$50.16 | 6,588,008 | \$260.97 | 7,854,253 | \$311.13 | \$51.05 | \$266.08 | \$317.13 | 13.8% | 6.6% | 7.7% |
| 201205 | 24,927 | 1,269,684 | \$50.94 | 6,696,562 | \$268.65 | 7,966,246 | \$319.59 | \$51.15 | \$264.98 | \$316.13 | 12.5% | 4.6% | 5.8% |
| 201206 | 25,029 | 1,262,678 | \$50.45 | 8,009,295 | \$320.00 | 9,271,973 | \$370.45 | \$50.99 | \$267.11 | \$318.10 | 10.3% | 3.8% | 4.8% |
| 201207 | 24,850 | 1,263,368 | \$50.84 | 7,182,670 | \$289.04 | 8,446,038 | \$339.88 | \$51.21 | \$268.64 | \$319.84 | 9.7% | 3.1% | 4.1% |
| 201208 | 24,563 | 1,255,596 | \$51.12 | 6,945,551 | \$282.77 | 8,201,147 | \$333.89 | \$51.08 | \$267.98 | \$319.06 | 8.2% | 1.8% | 2.7% |
| 201209 | 24,717 | 1,163,436 | \$47.07 | 5,932,786 | \$240.03 | 7,096,222 | \$287.10 | \$50.88 | \$263.59 | \$314.46 | 6.2% | -1.3% | -0.2% |
| 201210 | 24,507 | 1,301,585 | \$53.11 | 6,570,768 | \$268.12 | 7,872,352 | \$321.23 | \$51.32 | \$266.07 | \$317.39 | 6.1% | 0.4% | 1.3% |
| 201211 | 23,940 | 1,196,339 | \$49.97 | 6,163,407 | \$257.45 | 7,359,746 | \$307.42 | \$51.28 | \$267.05 | \$318.34 | 4.7% | 0.5% | 1.2% |
| 201212 | 24,115 | 1,209,139 | \$50.14 | 6,845,327 | \$283.87 | 8,054,466 | \$334.01 | \$51.04 | \$270.02 | \$321.06 | 3.2% | 2.0% | 2.2% |

Exhibit T - Trend Exhibit

HMO Colorado, Inc.
Small Group

Trend Detail

Large Claim and Age-Gender Adjusted Allowed Claims, with IBNR
Persistent Business (36 months or more of experience)
HMO Large Group

| Date | Members | Monthly Allowed Pharmacy Claims | Monthly Allowed Rx Claims PMPM | Monthly Allowed Medical Claims | Monthly Allowed Medical Claims PMPM | Monthly Allowed Total Claims | Monthly Allowed Total Claims PMPM | Rolling 12 Pharmacy PMPM | Rolling 12 Medical PMPM | Rolling 12 Combined PMPM | Rolling 12 Pharmacy Trend | Rolling 12 Medical Trend | Rolling 12 Combined Trend |
|--------|---------|--|---|---|---|---------------------------------------|---|--------------------------------|-------------------------------|--------------------------------|---------------------------------|--------------------------------|---------------------------------|
| 200701 | 15,036 | 644,926 | \$42.89 | 2,883,587 | \$191.78 | 3,528,513 | \$234.67 | | | | | | |
| 200702 | 15,158 | 642,138 | \$42.36 | 2,377,388 | \$156.84 | 3,019,526 | \$199.20 | | | | | | |
| 200703 | 15,121 | 697,845 | \$46.15 | 2,945,369 | \$194.78 | 3,643,214 | \$240.93 | | | | | | |
| 200704 | 15,049 | 655,341 | \$43.55 | 2,484,803 | \$165.12 | 3,140,144 | \$208.67 | | | | | | |
| 200705 | 15,019 | 707,064 | \$47.08 | 3,146,576 | \$209.51 | 3,853,640 | \$256.59 | | | | | | |
| 200706 | 15,165 | 676,135 | \$44.59 | 3,121,229 | \$205.82 | 3,797,365 | \$250.41 | | | | | | |
| 200707 | 15,912 | 631,111 | \$39.66 | 3,157,239 | \$198.42 | 3,788,350 | \$238.09 | | | | | | |
| 200708 | 16,015 | 719,724 | \$44.94 | 3,266,048 | \$203.94 | 3,985,772 | \$248.88 | | | | | | |
| 200709 | 16,107 | 664,154 | \$41.23 | 2,467,063 | \$153.16 | 3,131,217 | \$194.40 | | | | | | |
| 200710 | 16,229 | 727,598 | \$44.83 | 2,866,528 | \$176.63 | 3,594,126 | \$221.47 | | | | | | |
| 200711 | 16,329 | 714,835 | \$43.78 | 2,851,705 | \$174.64 | 3,566,540 | \$218.41 | | | | | | |
| 200712 | 16,508 | 728,741 | \$44.14 | 2,560,896 | \$155.13 | 3,289,637 | \$199.28 | \$43.75 | \$181.88 | \$225.63 | | | |
| 200801 | 16,400 | 758,496 | \$46.25 | 3,464,451 | \$211.24 | 4,222,947 | \$257.49 | \$44.04 | \$183.64 | \$227.67 | | | |
| 200802 | 16,369 | 720,166 | \$44.00 | 2,876,291 | \$175.71 | 3,596,456 | \$219.71 | \$44.17 | \$185.09 | \$229.25 | | | |
| 200803 | 16,353 | 754,746 | \$46.15 | 3,019,429 | \$184.64 | 3,774,175 | \$230.79 | \$44.18 | \$184.29 | \$228.46 | | | |
| 200804 | 16,520 | 755,475 | \$45.73 | 2,991,002 | \$181.06 | 3,746,478 | \$226.79 | \$44.36 | \$185.50 | \$229.86 | | | |
| 200805 | 16,641 | 755,130 | \$45.38 | 3,002,575 | \$180.44 | 3,757,706 | \$225.82 | \$44.24 | \$183.22 | \$227.46 | | | |
| 200806 | 16,784 | 744,879 | \$44.38 | 4,016,758 | \$239.33 | 4,761,637 | \$283.71 | \$44.22 | \$186.27 | \$230.49 | | | |
| 200807 | 16,860 | 761,701 | \$45.18 | 3,367,002 | \$199.70 | 4,128,704 | \$244.88 | \$44.67 | \$186.44 | \$231.11 | | | |
| 200808 | 16,946 | 702,554 | \$41.46 | 3,003,644 | \$177.24 | 3,706,199 | \$218.70 | \$44.38 | \$184.24 | \$228.61 | | | |
| 200809 | 17,156 | 738,969 | \$43.07 | 3,195,676 | \$186.27 | 3,934,645 | \$229.35 | \$44.52 | \$186.93 | \$231.44 | | | |
| 200810 | 17,025 | 748,487 | \$43.96 | 3,224,586 | \$189.40 | 3,973,073 | \$233.36 | \$44.45 | \$187.97 | \$232.42 | | | |
| 200811 | 17,049 | 688,479 | \$40.38 | 3,068,929 | \$180.01 | 3,757,408 | \$220.39 | \$44.15 | \$188.38 | \$232.53 | | | |
| 200812 | 16,947 | 816,487 | \$48.18 | 3,658,756 | \$215.90 | 4,475,243 | \$264.08 | \$44.49 | \$193.43 | \$237.92 | 1.7% | 6.4% | 5.5% |
| 200901 | 17,005 | 782,628 | \$46.02 | 3,521,212 | \$207.07 | 4,303,840 | \$253.10 | \$44.48 | \$193.13 | \$237.61 | 1.0% | 5.2% | 4.4% |
| 200902 | 17,029 | 739,954 | \$43.45 | 3,344,093 | \$196.38 | 4,084,047 | \$239.83 | \$44.43 | \$194.81 | \$239.25 | 0.6% | 5.3% | 4.4% |
| 200903 | 17,061 | 864,111 | \$50.65 | 3,335,609 | \$195.51 | 4,199,721 | \$246.16 | \$44.82 | \$195.69 | \$240.51 | 1.4% | 6.2% | 5.3% |
| 200904 | 17,023 | 827,975 | \$48.64 | 3,781,279 | \$222.13 | 4,609,254 | \$270.76 | \$45.06 | \$199.09 | \$244.15 | 1.6% | 7.3% | 6.2% |
| 200905 | 17,172 | 807,574 | \$47.03 | 3,620,631 | \$210.85 | 4,428,205 | \$257.87 | \$45.20 | \$201.60 | \$246.80 | 2.2% | 10.0% | 8.5% |
| 200906 | 17,291 | 811,612 | \$46.94 | 3,826,115 | \$221.28 | 4,637,726 | \$268.22 | \$45.42 | \$200.17 | \$245.59 | 2.7% | 7.5% | 6.5% |
| 200907 | 17,386 | 857,287 | \$49.31 | 3,849,118 | \$221.39 | 4,706,405 | \$270.69 | \$45.77 | \$202.01 | \$247.77 | 2.4% | 8.4% | 7.2% |
| 200908 | 17,554 | 844,033 | \$48.08 | 3,812,458 | \$217.18 | 4,656,491 | \$265.26 | \$46.32 | \$205.34 | \$251.66 | 4.4% | 11.5% | 10.1% |
| 200909 | 17,780 | 864,600 | \$48.63 | 3,806,051 | \$214.06 | 4,670,651 | \$262.69 | \$46.79 | \$207.68 | \$254.47 | 5.1% | 11.1% | 9.9% |
| 200910 | 17,723 | 912,231 | \$51.47 | 3,652,158 | \$206.06 | 4,564,389 | \$257.53 | \$47.42 | \$209.04 | \$256.46 | 6.7% | 11.2% | 10.3% |
| 200911 | 17,881 | 839,421 | \$46.94 | 3,674,929 | \$205.52 | 4,514,350 | \$252.47 | \$47.96 | \$211.12 | \$259.08 | 8.6% | 12.1% | 11.4% |
| 200912 | 18,223 | 880,175 | \$48.30 | 3,969,498 | \$217.83 | 4,849,673 | \$266.14 | \$47.97 | \$211.32 | \$259.29 | 7.8% | 9.2% | 9.0% |
| 201001 | 18,936 | 921,044 | \$48.64 | 4,468,756 | \$235.99 | 5,389,800 | \$284.63 | \$48.19 | \$213.88 | \$262.06 | 8.3% | 10.7% | 10.3% |
| 201002 | 19,021 | 867,664 | \$45.62 | 3,958,994 | \$208.14 | 4,826,657 | \$253.76 | \$48.33 | \$214.76 | \$263.10 | 8.8% | 10.2% | 10.0% |
| 201003 | 18,938 | 1,002,118 | \$52.92 | 4,830,675 | \$255.08 | 5,832,793 | \$307.99 | \$48.55 | \$219.84 | \$268.40 | 8.3% | 12.3% | 11.6% |
| 201004 | 18,917 | 918,297 | \$48.54 | 4,254,079 | \$224.89 | 5,172,376 | \$273.43 | \$48.55 | \$220.10 | \$268.65 | 7.7% | 10.6% | 10.0% |
| 201005 | 18,917 | 908,056 | \$48.00 | 4,147,709 | \$219.26 | 5,055,765 | \$267.26 | \$48.62 | \$220.76 | \$269.38 | 7.6% | 9.5% | 9.1% |
| 201006 | 18,981 | 956,846 | \$50.41 | 4,620,019 | \$243.40 | 5,576,865 | \$293.81 | \$48.91 | \$222.67 | \$271.57 | 7.7% | 11.2% | 10.6% |
| 201007 | 19,359 | 987,424 | \$51.01 | 4,245,898 | \$219.32 | 5,233,322 | \$270.33 | \$49.06 | \$222.48 | \$271.53 | 7.2% | 10.1% | 9.6% |
| 201008 | 19,439 | 1,021,731 | \$52.56 | 4,869,139 | \$250.49 | 5,890,869 | \$303.05 | \$49.44 | \$225.32 | \$274.76 | 6.7% | 9.7% | 9.2% |
| 201009 | 19,392 | 931,040 | \$48.01 | 4,433,132 | \$228.60 | 5,364,172 | \$276.61 | \$49.38 | \$226.49 | \$275.87 | 5.5% | 9.1% | 8.4% |
| 201010 | 19,323 | 934,299 | \$48.35 | 4,377,452 | \$226.54 | 5,311,751 | \$274.89 | \$49.13 | \$228.09 | \$277.21 | 3.6% | 9.1% | 8.1% |
| 201011 | 19,496 | 993,765 | \$50.97 | 4,210,663 | \$215.97 | 5,204,428 | \$266.94 | \$49.46 | \$228.82 | \$278.27 | 3.1% | 8.4% | 7.4% |
| 201012 | 19,588 | 1,030,407 | \$52.60 | 5,122,118 | \$261.50 | 6,152,524 | \$314.10 | \$49.81 | \$232.47 | \$282.28 | 3.8% | 10.0% | 8.9% |
| 201101 | 19,694 | 1,053,414 | \$53.49 | 4,795,085 | \$243.48 | 5,848,499 | \$296.97 | \$50.22 | \$233.12 | \$283.34 | 4.2% | 9.0% | 8.1% |
| 201102 | 19,609 | 974,299 | \$49.69 | 4,267,639 | \$217.63 | 5,241,937 | \$267.32 | \$50.56 | \$233.86 | \$284.41 | 4.6% | 8.9% | 8.1% |
| 201103 | 19,526 | 1,122,193 | \$57.47 | 4,979,514 | \$255.02 | 6,101,708 | \$312.50 | \$50.95 | \$233.91 | \$284.85 | 4.9% | 6.4% | 6.1% |
| 201104 | 19,435 | 1,080,050 | \$55.57 | 4,743,826 | \$244.09 | 5,823,876 | \$299.66 | \$51.53 | \$235.49 | \$287.02 | 6.1% | 7.0% | 6.8% |
| 201105 | 19,439 | 1,058,535 | \$54.45 | 4,901,280 | \$252.14 | 5,959,815 | \$306.59 | \$52.06 | \$238.19 | \$290.25 | 7.1% | 7.9% | 7.7% |
| 201106 | 19,463 | 1,086,124 | \$55.80 | 5,276,396 | \$271.10 | 6,362,520 | \$326.90 | \$52.50 | \$240.51 | \$293.01 | 7.4% | 8.0% | 7.9% |
| 201107 | 19,698 | 1,046,703 | \$53.14 | 4,980,359 | \$252.83 | 6,027,061 | \$305.97 | \$52.68 | \$243.30 | \$295.98 | 7.4% | 9.4% | 9.0% |
| 201108 | 19,714 | 1,106,416 | \$56.12 | 5,471,809 | \$277.57 | 6,578,225 | \$333.69 | \$52.98 | \$245.58 | \$298.56 | 7.2% | 9.0% | 8.7% |
| 201109 | 19,798 | 1,085,862 | \$54.85 | 5,472,261 | \$276.41 | 6,558,123 | \$331.26 | \$53.55 | \$249.59 | \$303.13 | 8.4% | 10.2% | 9.9% |
| 201110 | 19,834 | 1,021,245 | \$51.49 | 4,454,215 | \$224.58 | 5,475,460 | \$276.07 | \$53.80 | \$249.37 | \$303.17 | 9.5% | 9.3% | 9.4% |
| 201111 | 20,056 | 1,083,209 | \$54.01 | 4,763,624 | \$237.51 | 5,846,833 | \$291.52 | \$54.05 | \$251.12 | \$305.18 | 9.3% | 9.7% | 9.7% |
| 201112 | 20,035 | 1,142,423 | \$57.02 | 4,717,549 | \$235.46 | 5,859,972 | \$292.48 | \$54.42 | \$248.94 | \$303.36 | 9.3% | 7.1% | 7.5% |
| 201201 | 19,881 | 1,105,020 | \$55.58 | 4,866,373 | \$244.77 | 5,971,393 | \$300.35 | \$54.60 | \$249.04 | \$303.64 | 8.7% | 6.8% | 7.2% |
| 201202 | 19,796 | 1,078,595 | \$54.48 | 4,597,941 | \$232.26 | 5,676,536 | \$286.75 | \$55.00 | \$250.24 | \$305.24 | 8.8% | 7.0% | 7.3% |
| 201203 | 19,839 | 1,161,779 | \$58.56 | 4,723,349 | \$238.09 | 5,885,128 | \$296.65 | \$55.09 | \$248.83 | \$303.92 | 8.1% | 6.4% | 6.7% |
| 201204 | 19,827 | 1,073,132 | \$54.12 | 4,660,001 | \$235.03 | 5,733,133 | \$289.15 | \$54.97 | \$248.06 | \$303.03 | 6.7% | 5.3% | 5.6% |
| 201205 | 19,735 | 1,066,861 | \$54.06 | 4,934,418 | \$250.03 | 6,001,279 | \$304.09 | \$54.94 | \$247.89 | \$302.83 | 5.5% | 4.1% | 4.3% |
| 201206 | 19,689 | 1,067,417 | \$54.21 | 5,957,946 | \$302.61 | 7,025,362 | \$356.82 | \$54.81 | \$250.52 | \$305.33 | 4.4% | 4.2% | 4.2% |
| 201207 | 19,759 | 1,066,874 | \$53.99 | 5,253,833 | \$265.90 | 6,320,707 | \$319.89 | \$54.88 | \$251.61 | \$306.49 | 4.2% | 3.4% | 3.6% |
| 201208 | 19,699 | 1,063,156 | \$53.97 | 5,056,114 | \$256.67 | 6,119,270 | \$310.64 | \$54.70 | \$249.88 | \$304.58 | 3.2% | 1.7% | 2.0% |
| 201209 | 19,847 | 995,694 | \$50.17 | 4,503,337 | \$226.90 | 5,499,031 | \$277.07 | \$54.31 | \$245.75 | \$300.06 | 1.4% | -1.5% | -1.0% |
| 201210 | 19,768 | 1,121,665 | \$56.74 | 5,079,289 | \$256.94 | 6,200,954 | \$313.68 | \$54.75 | \$248.45 | \$303.20 | 1.8% | -0.4% | 0.0% |
| 201211 | 19,808 | 1,061,361 | \$53.58 | 4,824,149 | \$243.54 | 5,885,510 | \$297.12 | \$54.71 | \$248.96 | \$303.67 | 1.2% | -0.9% | -0.5% |
| 201212 | 19,834 | 1,059,510 | \$53.42 | 5,201,233 | \$262.23 | 6,260,742 | \$315.65 | \$54.41 | \$251.21 | \$305.62 | 0.0% | 0.9% | 0.7% |

Exhibit V - Confidentiality Index

HMO Colorado, Inc. Small Group

REQUEST FOR CONFIDENTIAL OR PRIVILEGED STATUS

Please fill out this form and submit it with your filing of information or documents with the Colorado Division of Insurance in the event you are requesting confidential or privileged status for all or a portion of such information or documents. It is your responsibility to both claim and validate your request for confidential or privileged status for each separate portion of the information.

1. Identification of Party Requesting Confidential or Privileged Status:

Name: Mike Polakowski, FSA, MAAA
Company: Anthem Blue Cross and Blue Shield
Address: 700 Broadway; Mail Stop: CO 0109-0938
Denver, CO 80273
Email Address: michael.polakowski@anthem.com
Telephone: 303-831-3258
Facsimile: N/A

2. Identification of information or documents for which confidential or privileged status is requested. All of the columns must be completed.

| ANTHEM BLUE CROSS AND BLUE SHIELD OF COLORADO SMALL GROUP PPO RATE FILING EFFECTIVE JANUARY 1, 2014 | | | | | | |
|---|---|--------------------|-----------------|--------------------------------|--|---|
| ID No. | Description of each different section or page | Date | Author | Recipient | Identify Confidentiality or Privilege Claimed (cite legal authority) | Reason why it applies |
| Exhibit U | Supporting Documentation | Effective 1/1/2014 | Mike Polakowski | Colorado Division of Insurance | C.R.S. §24-72-204(3)(a)(IV) | Includes proprietary, trade-secret information and strategy unique to our plan. |

Exhibit H - Average 2014 Rating Factors

HMO Colorado, Inc.
Small Group

Effective January 1, 2014

| <i>Average 2014 rating factors for 2014 population:</i> | |
|---|------------------------------|
| | Average Rating Factor |
| Average Age Factor | 1.3388 |
| <u>Average Tobacco Factor *</u> | <u>1.0342</u> |
| Age/Tobacco | 1.3846 |
| Average Area Factor | 1.0002 |
| <u>Average Plan Factor</u> | <u>1.0000</u> |
| <u>Area/Benefit Plan</u> | <u>1.0002</u> |
| Total | 1.3849 |

* To develop the average Age/Tobacco factor, a Tobacco load of 0.0458, developed based on the expected number of tobacco-using members by age in the rating period, was added to the average Age factor ($1.3388 + 0.0458 = 1.3846$). The multiplicative factor consistent with the additive load is displayed in the exhibit above.

SERFF Tracking #:

AWLP-129016152

State Tracking #:

278046

Company Tracking #:

State:

Colorado

Filing Company:

HMO Colorado, Inc.

TOI/Sub-TOI:

HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004E Small Group Only - Other

Product Name:

HMO Colorado Small Group Rate Filing Effective 1/1/2014

Project Name/Number:

/

Superseded Schedule Items

Please note that all items on the following pages are items, which have been replaced by a newer version. The newest version is located with the appropriate schedule on previous pages. These items are in date order with most recent first.

| Creation Date | Schedule Item Status | Schedule | Schedule Item Name | Replacement Creation Date | Attached Document(s) |
|---------------|----------------------|---------------------|---|---------------------------|--|
| 06/20/2013 | | Supporting Document | Colorado Actuarial Memorandum | 07/24/2013 | CO SG HMO Annualized Premium & Claim Projection.pdf CO SG HMO State Act Memo v2.pdf CO SG HMO Excel Exhibits v2.xlsx |
| 06/19/2013 | | Supporting Document | Actuarial Memorandum and Certifications | 06/20/2013 | CO SG HMO Fed Act Memo v2.pdf (Superceded) |
| 05/30/2013 | | Supporting Document | Colorado Actuarial Memorandum | 06/20/2013 | CO SG HMO Excel Exhibits.xlsx (Superceded) CO SG HMO State Act Memo.pdf (Superceded) CO SG HMO Annualized Premium & Claim Projection.pdf |
| 05/06/2013 | | Supporting Document | Colorado Actuarial Memorandum | 05/30/2013 | CO SG HMO Excel Exhibits.xlsx CO SG HMO State Act Memo.pdf |
| 05/06/2013 | | Rate | CO SG HMO Rate Manual | 06/20/2013 | CO SG HMO Rate Manual.pdf (Superceded) |
| 05/06/2013 | | Supporting Document | Actuarial Memorandum and Certifications | 06/19/2013 | CO SG HMO Fed Act Memo.pdf (Superceded) |
| 05/06/2013 | | Supporting Document | Unified Rate Review Template | 07/30/2013 | URRT CO SG G1522 76680 Submission.xlsm (Superceded) |

SERFF Tracking #:

AWLP-129016152

State Tracking #:

278046

Company Tracking #:

State:

Colorado

Filing Company:

HMO Colorado, Inc.

TOI/Sub-TOI:

HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004E Small Group Only - Other

Product Name:

HMO Colorado Small Group Rate Filing Effective 1/1/2014

Project Name/Number:

/

Attachment CO SG HMO Excel Exhibits.xlsx is not a PDF document and cannot be reproduced here.

Attachment URRT CO SG G1522 76680 Submission.xlsm is not a PDF document and cannot be reproduced here.

ACTUARIAL MEMORANDUM

1. General Information

- Company Identifying Information

| | |
|---------------------|--------------------|
| Company Legal Name: | HMO Colorado, Inc. |
| State: | Colorado |
| HIOS Issuer ID: | 76680 |
| Market: | Small Group |
| Effective Date: | January 1, 2014 |

- Company Contact Information

| | |
|-----------------------------------|-----------------------------|
| Primary Contact Name: | Steve Spelshaus |
| Primary Contact Telephone Number: | (303) 831-2073 |
| Primary Contact Email Address: | Steven.Spelshaus@anthem.com |

2. Scope and Purpose of the Filing

To the best of Anthem's knowledge and current understanding, this filing complies with the most recent regulations and related guidance. Anthem's intention is to fully comply with all applicable laws and guidance; however, the regulatory framework continues to change and evolve rapidly. To the extent relevant rules or guidance on the rules are updated or changed, amendments to this filing may be required.

The purpose of this rate filing is to establish new product rates that are reasonable relative to the benefits provided and to demonstrate compliance with state laws and provisions of the Affordable Care Act (ACA). The rates will be in-force for effective dates on or after January 1, 2014. Subsequent rate changes will be implemented quarterly as discussed in more detail in Section 15: Index Rate. These rates will apply to plans offered both On-Exchange and Off-Exchange. This rate filing is not intended to be used for other purposes.

| | |
|------------------------|---|
| Policy Form Number(s): | EOC_ENG_HMOCOLORADO_76680CO0230003_20140101 |
| | EOC_ENG_HMOCOLORADO_76680CO0230001_20140101 |
| | EOC_ENG_HMOCOLORADO_76680CO0230002_20140101 |
| | EOC_ENG_HMOCOLORADO_76680CO0240027_20140101 |
| | EOC_ENG_HMOCOLORADO_76680CO0240029_20140101 |
| | EOC_ENG_HMOCOLORADO_76680CO0240028_20140101 |
| | EOC_ENG_HMOCOLORADO_76680CO0240018_20140101 |
| | EOC_ENG_HMOCOLORADO_76680CO0240022_20140101 |
| | EOC_ENG_HMOCOLORADO_76680CO0240025_20140101 |
| | EOC_ENG_HMOCOLORADO_76680CO0240026_20140101 |
| | EOC_ENG_HMOCOLORADO_76680CO0240008_20140101 |
| | EOC_ENG_HMOCOLORADO_76680CO0240009_20140101 |

EOC_ENG_HMOCOLORADO_76680CO0240013_20140101
EOC_ENG_HMOCOLORADO_76680CO0240014_20140101
EOC_ENG_HMOCOLORADO_76680CO0240015_20140101
EOC_ENG_HMOCOLORADO_76680CO0240030_20140101
EOC_ENG_HMOCOLORADO_76680CO0240031_20140101
EOC_ENG_HMOCOLORADO_76680CO0240021_20140101
EOC_ENG_HMOCOLORADO_76680CO0240002_20140101
EOC_ENG_HMOCOLORADO_76680CO0240020_20140101
EOC_ENG_HMOCOLORADO_76680CO0240023_20140101
EOC_ENG_HMOCOLORADO_76680CO0240005_20140101
EOC_ENG_HMOCOLORADO_76680CO0240007_20140101
EOC_ENG_HMOCOLORADO_76680CO0240016_20140101
EOC_ENG_HMOCOLORADO_76680CO0240001_20140101

3. Description of How the Base Rate Is Determined

The development of the Base Rate is detailed in Exhibit A - Base Rate Development. Further details on how the base rate is developed can be found in Section 8: Credibility Manual Rate Development, Section 11: Risk Adjustment and Reinsurance, Section 12: Non-Benefit Expenses, Profit and Risk, and Section 13: Average 2014 Rating Factors. A description of the methodology used to determine the base rate is as follows:

- Small Group manual rates are developed based on historical experience of Grandfathered and Non-Grandfathered business.
- The experience data is normalized to reflect anticipated changes in age/gender, area/network and benefit plan from the experience period to the projection period based on expected distribution of membership.
- The projected claims cost is calculated by adjusting the normalized claims for the impact of benefit changes, population morbidity, trend factors, other cost of care impacts and other claim adjustments.
- The projection period is February 1, 2014 - January 31, 2015. Small Group Business renews on a quarterly basis; therefore the middle month of the first quarter is February 2014.
- Adjustments for risk adjustment and reinsurance are applied to the projected claims cost.
- Non-benefit expenses, profit, and risk are applied to the projected claims cost to determine the required projection period premium.
- The average rating factors in the projection period are applied to the projection period premium to determine the base rate.
- The base rate represents an average benefit plan and area for an age 21 non-tobacco user in Colorado.

Premiums at the member level are determined by multiplying the base rate by the applicable factor for each of the allowable rating criteria: age, tobacco, area, and benefit plan. An example of this calculation is shown in Exhibit M - Sample Rate Calculation.

4. Proposed Rate Increase

New product filing; this section is not applicable.

5. Experience Period Premium and Claims

Experience shown in Worksheet 1, Section I of the Unified Rate Review Template is for the Colorado Small Group Single Risk Pool Non-Grandfathered Business. This experience is deemed not credible and therefore is not used for development of manual rates. The manual rates are fully detailed in Section 8: Credibility Manual Rate Development.

Claims experience in Worksheet 1, Section I of the Unified Rate Review Template reflects dates of service from January 1, 2012 through December 31, 2012.

- **Paid Through Date**

Claims shown in Worksheet 1, Section I of the Unified Rate Review Template are paid through December 31, 2012.

- **Allowed and Incurred Claims Incurred During the Experience Period**

The allowed claims are determined by adding member cost sharing amounts to plan liability amounts.

Allowed and incurred claims are completed using the chain ladder method, an industry standard, by using historic paid vs. incurred claims patterns. The method calculates historic completion percentages, representing the percent of claims paid for a particular month after one month of run out, two months, etc., for a forty-eight month view of history. Claim backlog files are reviewed on a monthly basis and are accounted for in the historical completion factor estimates.

- **Premiums (net of MLR Rebate) in Experience Period**

The estimated Non-Grandfathered gross earned premium for Colorado Small Group is \$2,999,401, where earned premium is the pro-rata share of premium owed to Anthem due to subscribers actively purchasing insurance coverage during the experience period.

The preliminary MLR Rebate estimate is \$0, which is consistent with the 12/31/2012 Anthem general ledger estimate allocated to the Non-Grandfathered portion of Small Group. Note that this is an estimate and will not be final until 6/1/2013.

6. Benefit Categories

The methodology used to determine benefit categories in Worksheet 1, Section II of the Unified Rate Review Template is as follows:

- Inpatient Hospital: Includes non-capitated facility services for medical, surgical, maternity, mental health and substance abuse, skilled nursing, and other services provided in an inpatient facility setting and billed by the facility.
- Outpatient Hospital: Includes non-capitated facility services for surgery, emergency room, lab, radiology, therapy, observation and other services provided in an outpatient facility setting and billed by the facility.
- Professional: Includes non-capitated primary care, specialist, therapy, the professional component of laboratory and radiology, and other professional services, other than hospital based professionals whose payments are included in facility fees.
- Other Medical: Includes non-capitated ambulance, home health care, DME, prosthetics, supplies, vision exams, dental services and other services.
- Capitation: Includes all services provided under one or more capitated arrangements.
- Prescription Drug: Includes drugs dispensed by a pharmacy and rebates received from drug manufacturers.

7. Projection Factors

As previously indicated, the credibility level assigned to the experience in Worksheet 1, Section III of the Unified Rate Review Template is 0%. Consequently, factors to project experience claims are not provided as they are not applicable. However, the factors used to develop the manual rates are fully detailed in Section 8: Credibility Manual Rate Development.

8. Credibility Manual Rate Development

Experience developed and projected herein is Anthem's Small Group Business based on plan liability amounts. The rate development is shown in Exhibit A - Base Rate Development.

• Source and Appropriateness of Experience Data Used

The source data underlying the development of the manual rate consists of claims for all Grandfathered and Non-Grandfathered Small Group business, incurred during the period November 1, 2011 – October 31, 2012 and paid through December 31, 2012. Completion factors are then calculated to reflect additional months of runout after December 31, 2012. Anthem expects a large portion of the Grandfathered Small Group policyholders to migrate to ACA-compliant policies prior to and during the projection period.

Other than completing the incurred claims, no further explicit adjustments are made to the experience data.

For more detail, see Exhibit B - Claims Experience for Manual Rate Development.

- **Adjustments Made to the Data**

The development of the claims projected to the projection period is summarized in Exhibit A - Base Rate Development, items (1) - (10), and described in detail below.

The projected claims cost is calculated by multiplying the normalized claims cost by the impact of benefit changes, anticipated changes in population morbidity, and cost of care impacts. The adjustments are described below, and the factors are presented in Exhibit D - Projection Period Adjustments.

Changes in Demographics (Normalization)

The source data was normalized to reflect anticipated changes in age/gender, area/network and benefit plan from the experience period to the projection period. The purpose of these factors is to adjust current experience to be reflective of expected claim experience in the projection period. See Section 18: Membership Projections for additional information on membership movement. The normalization factors and their aggregate impact on the underlying experience data are detailed in Exhibit C - Normalization Factors.

- **Age/Gender:** The assumed claims cost is applied by age and gender to the experience period distribution and the projection period distribution.
- **Area/Network:** The area claims factors are developed based on an analysis of Small Group and Individual allowed claims by network, mapped to the prescribed 2014 rating areas using 5-digit zip code.
- **Benefit Plan:** The experience period claims are normalized to an average 2014 plan using benefit relativities. The benefit relativities include the value of cost shares and anticipated changes in utilization due to the difference in average cost share requirements.

Changes in Benefits

Benefit changes include the following:

- **Preventive Rx (over the counter):** The claims are adjusted for 100% coverage of benefits for specific over the counter drugs obtained with a prescription from a physician.
- **Rx Adjustments:** The claims are adjusted for differences in the Rx formulary, coverage for preventive prescription drugs previously sold over-the-counter, and impacts for moving drugs into different tiers in the projection period relative to what is reflected in the base experience data.

Changes in the Morbidity of the Population Insured

The claims are adjusted to reflect shifts in health insurance coverage as a result of the provisions of the ACA. The market shifts, or population movements, affecting the morbidity of the Small Group market in the projection period include:

- Small Groups electing to drop coverage
- Small group members electing to be uninsured
- Small groups moving to self-funded coverage
- Small group members moving to Medicaid
- Renewal timing changes as Small Groups elect to move their renewal date and remain on their current products longer in 2014

The movement assumptions above are based on market research and assumptions on the employer opt-out and consumer uptake rates. The morbidity impacts of population movement are based on health status determined from internal risk score data.

Trend Factors

- The annual pricing trend used in the development of the rates is 10.1%. The trend is based on projected cost and utilization trends by place of service, including anticipated changes in provider contracts. Normalization adjustments are made for persistent business, age/gender, and large claims. Trend also includes an estimate for leveraging. The claims are trended 27 months from the midpoint of the experience period, which is May 1, 2012, to the midpoint of the projection period, which is August 1, 2014.

Other Claim Adjustments

The adjustments described below are presented in Exhibit E - Other Claim Adjustments.

- Rx Rebates: The projected claims cost is adjusted to reflect anticipated Rx rebates. These projections take into account the most up-to-date information regarding anticipated rebate contracts, drug prices, anticipated price inflation, and upcoming patent expirations.
- The cost of adding benefits for pediatric dental and vision are included.

• Capitation Payments

The underlying data includes capitation payments, which are combined with the base medical and pharmacy claims and projected at the same rate. No further adjustment is made to the capitation.

9. Credibility of Experience

The combination of both Grandfathered and Non-Grandfathered experience data most reasonably reflects Small Group claims experience under the future projection period. Actuarial judgment has been exercised to determine that rates will be developed giving full credibility to the data underlying the manual rate in Section 8: Credibility Manual Rate Development.

- Resulting Credibility Level Assigned to Base Period Experience

The credibility level assigned to the experience in Worksheet 1, Section III of the Unified Rate Review Template is 0%.

10. Paid to Allowed Ratio

The 'Paid to Allowed Average Factor in Projection Period' shown in Worksheet 1, Section III of the Unified Rate Review Template is developed by membership-weighted essential health benefit paid claims divided by membership-weighted essential health benefit allowed claims of each plan. The projected membership by plan is shown in Worksheet 2, Section II.

11. Risk Adjustment and Reinsurance

- Projected Risk Adjustment

The Risk Adjustment program transfers funds from lower risk plans to higher risk plans in the Non-Grandfathered Individual and Small Group market. At this time, Anthem is assuming the risk for the plans in this filing are no better or worse than other plans in the market, resulting in no estimated risk transfer value as shown in Exhibit F - Risk Adjustment and Reinsurance - Contributions and Payments.

- Projected ACA Reinsurance Recoveries Net of Reinsurance Premium

The transitional reinsurance risk mitigation program collects funds from all insurance issuers and TPAs and redistributes them to high cost claimants in the Non-Grandfathered Individual market. The reinsurance contribution is equal to the national per capita reinsurance contribution rate as shown in Exhibit F - Risk Adjustment and Reinsurance - Contributions and Payments.

12. Non-Benefit Expenses, Profit and Risk

Non-Benefit expenses are detailed in Exhibit G - Non-Benefit Expenses and Profit & Risk.

- Administrative Expense

Administrative Expenses are expected to be consistent with historical levels and are developed utilizing the same methodology as previous filings, they are not varied by product or plan. Maintenance costs are assumed to be flat on a per member basis with savings from administrative efficiencies and the elimination of underwriting offset by new expenses for risk management and regulatory compliance.

- **Quality Improvement Expense**

The quality improvement expense represents Anthem's dedication to providing the highest standard of customer care and consistently seeking to improve health care quality, outcomes and value in a cost efficient manner.

- **Selling Expense**

Selling Expense represents broker commissions and bonuses associated with the broker distribution channel using historical and projected commission levels. Commissions will be paid On-Exchange and Off-Exchange.

- **Taxes and Fees**

- **Patient-Centered Outcomes Research Institute (PCORI) Fee:** The PCORI fee is a federally-mandated fee designed to help fund the Patient-Centered Outcomes Research Trust Fund. For plan years ending before October 1, 2014, the fee is \$2 per member per year. Thereafter, for every plan year ending before October 1, 2019, the fee will increase by the percentage increase in National Healthcare Expenditures.
- **Risk Adjustment Fee:** The Risk Adjustment fee is a user fee to support the administration of the HHS operated Risk Adjustment program. The charge is \$1 per enrollee per year.
- **ACA Insurer Fee:** The health insurance industry will be assessed a permanent fee, based on market share of net premium, which is not tax deductible.
- **Exchange Fee:** The Exchange User Fee applies to Exchange business only, but the cost is spread across all Small Group plans. It is a blended fee based on the assumed percentage of members that will purchase products On-Exchange and Off-Exchange.
- **Federal, state, and premium taxes** are also included in the retention items.

- **Profit**

Profit is reflected on a post-tax basis as a percent that does not vary by product or plan.

13. Average 2014 Rating Factors

The required premium in the projection period is adjusted to reflect the average age, tobacco, area, and benefit plan rating factors to develop the rating period base rate. The average factors are shown in Exhibit H - Average 2014 Rating Factors and applied in line item 14 of Exhibit A - Base Rate Development.

- Benefit Plan Factors

Refer to Exhibit I - Non-Grandfathered Benefit Plan Factors.

- Age and Tobacco Factors

Refer to Exhibit J - Age Factors.

Refer to Exhibit K - Tobacco Factors.

- Area Factors

Refer to Exhibit L - Area Factors.

14. Projected Loss Ratio

- Projected Federal MLR

The projected Federal MLR for the products in this filing is estimated in Exhibit N - Federal MLR Estimated Calculation. Please note that this calculation is purely an estimate and not meant to be a true measure for Federal or State MLR rebate purposes. The products in this filing represent only a subset of Anthem's Small Group business. The MLR for Anthem's entire book of Small Group business will be compared to the minimum Federal benchmark for purposes of determining regulation-related premium refunds. Also note that the projected Federal MLR presented here does not capture all adjustments, including but not limited to third party margins, three-year averaging, credibility, dual option, and deductible. Anthem's projected MLR is expected to meet or exceed the minimum MLR standards at the market level after including all adjustments.

15. Index Rate

- Experience Period Index Rate

The index rate represents the average allowed claims PMPM of essential health benefits for HMO Colorado, Inc. 's Small Group Non-Grandfathered Business. The experience period index rate shown in Worksheet 1, Section I (cell G17) of the Unified Rate Review Template is \$910.62 and is different than the experience period allowed claims (cell G16 in the same location) due to non-essential health benefits covered during the experience period. A comparison to the benchmark was performed and Acupuncture was identified as non-essential health benefits covered during the experience period.

- Projection Period Index Rate

The index rate represents the average allowed claims PMPM of essential health benefits for HMO Colorado, Inc. 's Small Group Non-Grandfathered Business. The 1st quarter projection period index rate was developed as shown in Exhibit O - Projected Index Rate Development by adjusting the projected incurred claims PMPM described in Section 8: Credibility Manual Rate Development of this memorandum. Projected trended index rates by quarter are also captured in Exhibit Q - Quarterly Index and Base Rate. Covered benefits in excess of essential health benefits that are included in the projection period allowed claims (cell T30 of Worksheet 1, Section II of the Unified Rate Review Template) but excluded from Exhibit Q's projection period index rate (also shown in cell V44 of Worksheet 1, Section III of the Unified Rate Review Template) are Spinal Manipulation, Diagnosis of Infertility, Webinars (DocTalk), Healthy Lifestyles Incentives (\$150/yr), Tobacco Free Certification with Incentives (\$50/yr), Gym Reimbursement (\$400/yr), and Incentive Admin (AHR Direct Platform and HMRK Gift Card). To calculate the required premium, the projection period index rate is adjusted only by the adjustments allowed per Market Reform and Payment Parameters Regulations. This development is presented in Exhibit P - Development of Required Premium from Index Rate.

- Quarterly Index and Base Rate

Quarterly index and base rate changes will be implemented On-Exchange and Off-Exchange. Refer to Exhibit Q - Quarterly Index and Base Rate.

16. Actuarial Value Metal Values

The Actuarial Value (AV) Metal Values included in Worksheet 2 of the Unified Rate Review Template are based on the AV Calculator. To the extent a component of the benefit design was not accommodated by an available input within the AV Calculator, the benefit characteristic was adjusted to be actuarially-equivalent to an available input within the AV Calculator for purposes of utilizing the AV Calculator as the basis for the AV Metal Values. Benefits for Plans that are not compatible with the parameters of the AV Calculator have been separately identified and documented in the Unique Plan Design Supporting Documentation and Justification that supports the Plan & Benefits Template.

17. Actuarial Value Pricing Values

The AV Pricing Values for each Product ID are in Worksheet 2, Section I of the Unified Rate Review Template. The fixed reference plan selected as the basis for the AV Pricing Value calculations is '76680CO0240018'. Utilization adjustments are made to account for member behavior variations, depending on the richness of the benefit design and not the health status of the member. The average allowable modifiers to the Index Rate can be found in Exhibit P - Development of Required Premium from Index Rate.

18. Membership Projections

Membership projections are developed using a population movement model and adjustments for sales expectations. This model projects the membership in the projection period by taking into account:

- Small Groups dropping coverage
- Small Group members opting out of coverage
- Small Group members to Medicaid as a result of expanded Medicaid eligibility

The plan distribution is based on assumed metal tier and network distributions.

Refer to Exhibit D - Projection Period Adjustments for the projected morbidity changes from population movement.

19. Warning Alerts

The sum of the allowed claims for plan level projections on Worksheet 2, Section IV of the Unified Rate Review Template are net of projected risk adjustments and projected ACA reinsurance recoveries and premium, which is consistent with the Unified Rate Review Template instructions for the allowed claims as well as the check in cell B86. However, this results in the allowed claims PMPM to be mismatched to the check in cell B99 since B99 does not net the impacts of projected risk adjustments and projected ACA reinsurance recoveries and premium, so a warning may result in A99.

20. Terminated Products

Non ACA-compliant products will no longer be offered to new enrollees effective January 1, 2014 but will remain in effect in 2014 until enrollees renew onto ACA-compliant products. The list of non ACA-compliant terminated products are shown in Exhibit R - Terminated Products.

21. Plan Type

Plan types in Worksheet 2, Section I of the URRT adequately describe Anthem's plans.

22. Reliance

In support of this rate development, various data and analyses were provided by other members of WellPoint's internal actuarial staff, including data and analysis related to cost of care, valuation, and pricing. I have reviewed these data and analyses for reasonableness and consistency. I have relied on Brian Renshaw, FSA, MAAA to provide the actuarial certification for the Unique Plan Design Supporting Documentation and Justification for plans included in this filing.

Actuarial Certification

I, Michael Polakowski, FSA, MAAA, am an actuary for Anthem. I am a member of the American Academy of Actuaries and a Fellow of the Society of Actuaries. I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein. I hereby certify that the following statements are true to the best of my knowledge with regards to this filing:

- (1) The projected Index Rate is:

- In compliance with all applicable State and Federal Statutes and Regulations (45 CFR 156.80(d)(1)),
- Developed in compliance with the applicable Actuarial Standards of Practice
- Reasonable in relation to the benefits provided and the population anticipated to be covered
- Not excessive, inadequate, or unfairly discriminatory.

(2) The Index Rate and only the allowable modifiers as described in 45 CFR 156.80(d)(1) and 45 CFR 156.80(d)(2) were used to generate plan level rates.

(3) The percent of total premium that represents essential health benefits included in Worksheet 2, Sections III and IV is calculated in accordance with actuarial standards of practice.

(4) The AV Calculator was used to determine the AV Metal Values shown in Worksheet 2 of the Part I Unified Rate Review Template for all plans.

The Part I Unified Rate Review Template does not demonstrate the process used by the issuer to develop the rates. Rather it represents information required by Federal regulation to be provided in support of the review of rate increases, for certification of Qualified Health Plans for Federally-Facilitated Exchanges, and for certification that the Index Rate is developed in accordance with Federal regulation, used consistently, and only adjusted by the allowable modifiers. However, this Actuarial Memo does accurately describe the process used by the issuer to develop the rates.



Michael Polakowski, FSA, MAAA
Regional Vice President and Actuary III

May 14, 2013

Date

Exhibit A - Base Rate Development

Effective January 1, 2014

HMO Colorado, Inc.
Small Group

| | <u>Paid Claims</u> | |
|--|--------------------|-------------------------------|
| 1) Experience Period Cost PMPM | \$ 297.23 | Exhibit B |
| 2) <u>x Normalization Factor</u> | <u>0.8888</u> | Exhibit C |
| 3) = Normalized Claims | \$ 264.18 | = (1) x (2) |
| 4) x Benefit Changes | 0.9437 | Exhibit D |
| 5) x Morbidity Changes | 0.9789 | Exhibit D |
| 6) x Trend Factor | 1.2426 | Exhibit D |
| 7) <u>x Other Cost of Care Impacts</u> | <u>1.0000</u> | Exhibit D |
| 8) = Projected Claim Cost | \$ 303.25 | = (3) x (4) x (5) x (6) x (7) |
| 9) + Other Claim Impacts | \$0.52 | Exhibit E |
| 10) = Claims Projected to Projection Period | \$ 303.77 | = (8) + (9) |
| 11) + Risk Mitigation - Contributions and Payments | \$5.10 | Exhibit F |
| 12) <u>+ Selling Expense, Administration and Other Retention Items {1}</u> | <u>\$74.83</u> | Exhibit G |
| 13) = Required Premium in Projection Period | \$ 383.70 | = (10) + (11) + (12) |
| 14) <u>÷ Average Rating Factors in Projection Period</u> | <u>1.3849</u> | Exhibit H |
| 15) = Base Rate (Average Plan-Level - Age 21 - Non-Tobacco) | \$ 277.06 | = (13) ÷ (14) |
| 16) Projected Loss Ratio (Conventional Basis) | 80.5% | = [(10) + (11)] ÷ (13) |

NOTES:

{1} Equivalent to PMPM expenses on Exhibit G + % of premium expenses on Exhibit G applied to Required Premium (Row 13 above).

Exhibit B - Claims Experience for Manual Rate Development

HMO Colorado, Inc.
Small Group

Incurred November 1, 2011 through October 31, 2012

Paid through December 31, 2012

PPO, HMO, Traditional and Anthem Essential Small Group In-Area Business:

| PAID CLAIMS: | | | | | | | | | | |
|---------------------------|---------------|--------------|-----------|------------------------|---------------|------------|-----------------|---------|-------|--------|
| Incurred and Paid Claims: | | IBNR: | | Fully Incurred Claims: | | | Total | Member | Total | |
| Medical | Drug | Medical | Drug | Medical | Drug | Capitation | Benefit Expense | Months | PMPM | |
| \$ 171,882,362 | \$ 34,044,979 | \$ 3,556,956 | \$ 20,767 | \$ 175,439,318 | \$ 34,065,746 | \$ 9,271 | \$ 209,514,335 | 704,886 | \$ | 297.23 |

| ALLOWED CLAIMS: | | | | | | | | | | |
|---------------------------|---------------|--------------|-----------|------------------------|---------------|------------|-----------------|---------|-------|--------|
| Incurred and Paid Claims: | | IBNR: | | Fully Incurred Claims: | | | Total | Member | Total | |
| Medical | Drug | Medical | Drug | Medical | Drug | Capitation | Benefit Expense | Months | PMPM | |
| \$ 222,898,652 | \$ 50,145,533 | \$ 4,473,670 | \$ 28,894 | \$ 227,372,322 | \$ 50,174,427 | \$ 9,271 | \$ 277,556,020 | 704,886 | \$ | 393.76 |

Exhibit C - Normalization Factors

HMO Colorado, Inc.
Small Group

Experience Period: November 1, 2011 through October 31, 2012

Normalize to population expected in 2014

Average claim factors based on future population as compared to experience period population:

| | Average Claim Factors | | Normalization |
|--------------|------------------------------|-------------------|---------------|
| | Experience Period Population | Future Population | Factor |
| Age/Gender | 1.0186 | 1.0191 | 1.0005 |
| Area/Network | 0.9891 | 0.8789 | 0.8886 |
| Benefit Plan | 0.9011 | 0.9008 | 0.9997 |
| Total | 0.9078 | 0.8068 | 0.8888 |

Exhibit D - Projection Period Adjustments

HMO Colorado, Inc. Small Group

Impact of Changes Between Experience Period and Projection Period:

| | <u>Adjustment Factor</u> |
|------------------------------------|--------------------------|
| <u>Benefit changes</u> | |
| Preventive Rx (over the counter) | 1.0006 |
| Eliminate Pre-Ex | 1.0000 |
| <u>Rx Adjustments {1}</u> | <u>0.9431</u> |
| Total Benefit Changes | 0.9437 |
| <u>Morbidity changes</u> | |
| Total Morbidity Changes | 0.9789 |
| <u>Cost of care impacts</u> | |
| Annual Medical/Rx Trend Rate | 10.1% |
| # Months of Projection | 27 |
| Trend Factor | 1.2426 |

NOTES:

{1} Adjusted for differences in the Rx formulary and impacts for moving drugs into different tiers in the projection period relative to what is reflected in the base experience data.

Exhibit E - Other Claim Adjustments

HMO Colorado, Inc. Small Group

| <i>Adjustments to projection period claims to reflect covered benefits not included in experience period data:</i> | |
|--|--------------------|
| | <u>PMPM</u> |
| Rx Rebates | (\$2.52) |
| Pediatric Dental | \$0.08 |
| Pediatric Vision | \$0.14 |
| <u>Additional Non-EHBs {1}</u> | <u>\$2.82</u> |
| Total | \$0.52 |

NOTES:

{1} The 'Additional Non-EHBs' adjustment above reflects ONLY additional costs beyond those already captured in line Item 8 of Exhibit A. Line Item 8 of Exhibit A includes \$1.49 of embedded Non-EHB medical costs resulting from inclusion in the experience data and/or the normalization process.

Exhibit F - Risk Adjustment and Reinsurance - Contributions and Payments

HMO Colorado, Inc.
Small Group
Effective January 1, 2014

| | | | |
|---|---|--------------------------|--|
| <u>Risk Adjustment:</u> | | | |
| Description | Transfers funds from lowest risk plans to highest risk plans | | |
| Participants | Non-Grandfathered Individual and Small Group plans (inside and outside Exchange) are eligible | | |
| PMPM | Net Transfer | | |
| Federal Program | \$0.00 | | |
| <u>Note:</u> It is assumed the risk for the plans included in this rate filing is no better/worse than any other plans within this market. | | | |
| <u>Reinsurance:</u> | | | |
| Description | Provides funding to plans that enroll highest cost individuals | | |
| Participants | All insurance issuers and TPAs contribute funds Non-Grandfathered Individual plans (inside and outside Exchange) are eligible for payments | | |
| PMPM | Contributions Made | Expected Payments | |
| Federal Program | \$5.10 | \$0.00 | <i>Small Group Plans contribute funds but only Individual Plans are eligible to receive payments</i> |
| <u>Source:</u> HHS estimates a national per capita contribution rate of \$5.25 per month (\$63 per year) in benefit year 2014 and \$3.50 per month (\$42 per year) in 2015 (per Payment Parameter Rule). | | | |
| Grand Total of All Risk Mitigation Programs | | | \$5.10 |

NOTES:

$\$5.10 = \$5.25 * (11 \text{ months}/12\text{months}) + \$3.50 * (1 \text{ months}/12 \text{ months})$

\$5.25 = 2014 contribution

\$3.50 = 2015 contribution

Exhibit G - Non-Benefit Expenses and Profit & Risk

HMO Colorado, Inc. Small Group

| | <u>PMPM</u> | <u>% Premium</u> |
|-----------------------------|----------------|------------------|
| Administrative Costs | \$18.88 | |
| Quality Improvement Expense | \$2.83 | |
| Selling Expense | \$16.34 | |
| ACA Related Fees: | | |
| PCORI Fee | \$0.17 | |
| Risk Adjustment User Fee | \$0.08 | |
| ACA Insurer Fee | | 2.67% |
| Exchange User Fee | | 0.55% |
| Premium Tax | | 0.00% |
| Federal/State Taxes | | 2.38% |
| Profit (Post-Tax) | | 3.92% |
| Total | \$38.30 | 9.52% |

Exhibit H - Average 2014 Rating Factors

HMO Colorado, Inc.
Small Group

Effective January 1, 2014

| <i>Average 2014 rating factors for 2014 population:</i> | |
|---|------------------------------|
| | Average Rating Factor |
| Age/Tobacco | 1.3846 |
| Area/Benefit Plan | 1.0002 |
| Total | 1.3849 |

NOTES:

The developed base rate is reduced by the overall average rating factor shown above.
See Line Item 14 on Exhibit A.

Exhibit I - Non-Grandfathered Benefit Plan Factors

HMO Colorado, Inc.
Small Group
Effective January 1, 2014

| On-Exchange Plans: | | | |
|--------------------|--|--------------------|--------------------|
| <u>Metal Level</u> | <u>HIOS Standard Component Plan ID</u> | <u>Network</u> | <u>Plan Factor</u> |
| Catastrophic | | | |
| Bronze | 76680CO0230003 | Highly Aligned HMO | 0.7765 |
| Silver | 76680CO0230001 | Highly Aligned HMO | 0.9416 |
| Gold | 76680CO0230002 | Highly Aligned HMO | 1.2125 |
| Platinum | | | |

| Off-Exchange Plans: | | | |
|---------------------|--|--------------------|--------------------|
| <u>Metal Level</u> | <u>HIOS Standard Component Plan ID</u> | <u>Network</u> | <u>Plan Factor</u> |
| Catastrophic | | | |
| Bronze | 76680CO0240027 | Blue Priority HMO | 0.8918 |
| | 76680CO0240029 | Blue Priority HMO | 0.8222 |
| | 76680CO0240028 | Blue Priority HMO | 0.8918 |
| Silver | 76680CO0240018 | Highly Aligned HMO | 0.9520 |
| | 76680CO0240022 | Highly Aligned HMO | 0.9276 |
| | 76680CO0240025 | Highly Aligned HMO | 0.9817 |
| | 76680CO0240026 | Highly Aligned HMO | 1.0624 |
| | 76680CO0240008 | Blue Priority HMO | 0.9890 |
| | 76680CO0240009 | Blue Priority HMO | 0.9520 |
| | 76680CO0240013 | Blue Priority HMO | 0.9869 |
| | 76680CO0240014 | Blue Priority HMO | 1.0285 |
| | 76680CO0240015 | Blue Priority HMO | 1.0639 |
| | 76680CO0240030 | Highly Aligned HMO | 0.9387 |
| | 76680CO0240031 | Highly Aligned HMO | 0.9659 |
| | 76680CO0240021 | Highly Aligned HMO | 0.9868 |
| Gold | 76680CO0240002 | Blue Priority HMO | 1.1449 |
| | 76680CO0240020 | Highly Aligned HMO | 1.1641 |
| | 76680CO0240023 | Highly Aligned HMO | 1.1665 |
| | 76680CO0240005 | Blue Priority HMO | 1.1633 |
| | 76680CO0240007 | Blue Priority HMO | 1.2095 |
| | 76680CO0240016 | Highly Aligned HMO | 1.2280 |
| | 76680CO0240001 | Highly Aligned HMO | 1.2125 |
| Platinum | | | |

NOTES:

Benefit Plan Factors above reflect plan by plan differences from the index rate for allowable adjustments as described in detail in the Market Reform and Payment Parameters Regulations and illustrated in Exhibit P. The weighted average of these adjustments for the entire risk pool included in this rate filing is detailed in Exhibit H.

Exhibit J - Age Factors

HMO Colorado, Inc.
Small Group
Effective January 1, 2014

| Age | Rating Factor |
|-------|---------------|
| 0-20 | 0.635 |
| 21-24 | 1.000 |
| 25 | 1.004 |
| 26 | 1.024 |
| 27 | 1.048 |
| 28 | 1.087 |
| 29 | 1.119 |
| 30 | 1.135 |
| 31 | 1.159 |
| 32 | 1.183 |
| 33 | 1.198 |
| 34 | 1.214 |
| 35 | 1.222 |
| 36 | 1.230 |
| 37 | 1.238 |
| 38 | 1.246 |
| 39 | 1.262 |
| 40 | 1.278 |
| 41 | 1.302 |
| 42 | 1.325 |
| 43 | 1.357 |
| 44 | 1.397 |
| 45 | 1.444 |
| 46 | 1.500 |
| 47 | 1.563 |
| 48 | 1.635 |
| 49 | 1.706 |
| 50 | 1.786 |
| 51 | 1.865 |
| 52 | 1.952 |
| 53 | 2.040 |
| 54 | 2.135 |
| 55 | 2.230 |
| 56 | 2.333 |
| 57 | 2.437 |
| 58 | 2.548 |
| 59 | 2.603 |
| 60 | 2.714 |
| 61 | 2.810 |
| 62 | 2.873 |
| 63 | 2.952 |
| 64+ | 3.000 |

Exhibit K - Tobacco Factors

HMO Colorado, Inc.
Small Group
Effective January 1, 2014

| Age | Rating Factor |
|------|---------------|
| 0-20 | 1.0000 |
| 21+ | 1.1000 |

Exhibit L - Area Factors

HMO Colorado, Inc.

Small Group

Effective January 1, 2014

| Rating Area Description | Highly Aligned HMO Network | Blue Priority HMO Network |
|--------------------------|-------------------------------|------------------------------|
| 1 - Boulder MSA | 0.9450 | |
| 2 - Colorado Springs MSA | 0.9057 | 0.9057 |
| 3 - Denver MSA | 0.9648 | 0.9648 |
| 4 - Fort Collins MSA | 1.0166 | |
| 5 - Grand Junction MSA | 1.0814 | |
| 6 - Greeley PMSA | 1.0788 | |
| 7 - Pueblo MSA | 1.0132 | |
| 8 - SE Non-MSA | 1.0631 | |
| 9 - NE Non-MSA | 1.3468 | |
| 10 - West Non-MSA | 1.2114 | |
| 11 - Resort Non-MSA | 1.4870 | |
| OOA | 1.1865 | |

NOTES:

{1} OOA = Out of Area

Exhibit M - Sample Rate Calculation

HMO Colorado, Inc.
Small Group

Group Name: Sample Group
Effective Date: 1/1/2014
On/Off Exchange: On
Metal Level: Silver
Plan: 76680CO0230001
Rating Area: 3 - Denver MSA
Network: Highly Aligned HMO

Group Census:

| | Employee | Spouse | Number of | Child #1 | Child #2 | Child #3 | Child #4 | Tobacco User? | | | | | |
|--------------|----------|--------|-----------|----------|----------|----------|----------|---------------|--------|----------|----------|----------|----------|
| | Age | Age | Children | Age | Age | Age | Age | Employee | Spouse | Child #1 | Child #2 | Child #3 | Child #4 |
| Employee #1 | 24 | 23 | 1 | 0 | | | | Yes | No | No | | | |
| Employee #2 | 26 | | | | | | | No | | | | | |
| Employee #3 | 28 | | | | | | | No | | | | | |
| Employee #4 | 32 | 33 | | | | | | Yes | No | | | | |
| Employee #5 | 30 | | 2 | 2 | 4 | | | No | | No | No | | |
| Employee #6 | 45 | 45 | 3 | 18 | 15 | 12 | | No | No | No | No | No | |
| Employee #7 | 53 | 55 | | | | | | Yes | Yes | | | | |
| Employee #8 | 41 | | 4 | 16 | 13 | 5 | 4 | No | | No | No | No | No |
| Employee #9 | 56 | | | | | | | No | | | | | |
| Employee #10 | 40 | | 1 | 25 | | | | No | | Yes | | | |
| Employee #11 | 62 | | | | | | | No | | | | | |
| Employee #12 | 64 | 64 | | | | | | No | No | | | | |

Calculation of Monthly Premium:

Base Rate = \$ 277.06 Exhibit A
x Benefit Plan Factor 0.9416 Exhibit I
x Area Factor 0.9648 Exhibit L
Base Rate Adjusted for Plan/Area = \$ 251.71

Age/Tobacco Factors:

Exhibit J and Exhibit K

| | Employee | | Spouse | | Child #1 | | Child #2 | | Child #3 | | Child #4 | |
|--------------|------------|----------------|------------|----------------|------------|----------------|------------|----------------|------------|----------------|------------|----------------|
| | Age Factor | Tobacco Factor | Age Factor | Tobacco Factor | Age Factor | Tobacco Factor | Age Factor | Tobacco Factor | Age Factor | Tobacco Factor | Age Factor | Tobacco Factor |
| Employee #1 | 1.000 | 1.10 | 1.000 | 1.00 | 0.635 | 1.00 | | | | | | |
| Employee #2 | 1.024 | 1.00 | | | | | | | | | | |
| Employee #3 | 1.087 | 1.00 | | | | | | | | | | |
| Employee #4 | 1.183 | 1.10 | 1.198 | 1.00 | | | | | | | | |
| Employee #5 | 1.135 | 1.00 | | | 0.635 | 1.00 | 0.635 | 1.00 | | | | |
| Employee #6 | 1.444 | 1.00 | 1.444 | 1.00 | 0.635 | 1.00 | 0.635 | 1.00 | 0.635 | 1.00 | | |
| Employee #7 | 2.040 | 1.10 | 2.230 | 1.10 | | | | | | | | |
| Employee #8 | 1.302 | 1.00 | | | 0.635 | 1.00 | 0.635 | 1.00 | 0.635 | 1.00 | 0.000 | 0.00 |
| Employee #9 | 2.333 | 1.00 | | | | | | | | | | |
| Employee #10 | 1.278 | 1.00 | | | 1.004 | 1.10 | | | | | | |
| Employee #11 | 2.873 | 1.00 | | | | | | | | | | |
| Employee #12 | 3.000 | 1.00 | 3.000 | 1.00 | | | | | | | | |

Final Monthly Premium PMPM:

| | Employee | Spouse | Children | Total |
|--------------|-----------|-----------|-----------|-------------|
| Employee #1 | \$ 276.88 | \$ 251.71 | \$ 159.84 | \$ 688.43 |
| Employee #2 | \$ 257.75 | | | \$ 257.75 |
| Employee #3 | \$ 273.61 | | | \$ 273.61 |
| Employee #4 | \$ 327.55 | \$ 301.55 | | \$ 629.10 |
| Employee #5 | \$ 285.69 | | \$ 319.67 | \$ 605.36 |
| Employee #6 | \$ 363.47 | \$ 363.47 | \$ 479.51 | \$ 1,206.45 |
| Employee #7 | \$ 564.84 | \$ 617.44 | | \$ 1,182.28 |
| Employee #8 | \$ 327.73 | | \$ 479.51 | \$ 807.24 |
| Employee #9 | \$ 587.24 | | | \$ 587.24 |
| Employee #10 | \$ 321.69 | | \$ 277.99 | \$ 599.68 |
| Employee #11 | \$ 723.16 | | | \$ 723.16 |
| Employee #12 | \$ 755.13 | \$ 755.13 | | \$ 1,510.26 |

NOTES:

- [1] As per the Market Reform Rule, when computing family premiums no more than the three oldest covered children under the age of 21 are taken into account whereas the premiums associated with each child age 21+ are included.
- [2] This sample calculation ignores the tobacco offset under a Wellness Program as described in the Market Reform Rule.
- [3] Minor rate variances may occur due to differences in rounding methodology.

Exhibit N - Federal MLR Estimated Calculation

HMO Colorado, Inc. Small Group

Numerator:

| | | |
|--|-----------------|-----------|
| Incurred Claims | \$303.77 | Exhibit A |
| + Quality Improvement Expense | \$2.83 | Exhibit G |
| + Risk Corridor Contributions | \$0.00 | |
| + Risk Adjustment Contributions | \$0.00 | Exhibit F |
| - Reinsurance Receipts | \$0.00 | Exhibit F |
| - Risk Corridor Receipts: | \$0.00 | |
| - Risk Adjustment Receipts: | <u>\$0.00</u> | Exhibit F |
| = Estimated Federal MLR Numerator | \$306.60 | |

Denominator:

| | | |
|--|-----------------|-----------|
| Premiums | \$383.70 | Exhibit A |
| - Federal and State Taxes | \$9.12 | Exhibit G |
| - Premium Taxes | \$0.00 | Exhibit G |
| - Reinsurance Contributions | \$5.10 | Exhibit F |
| - Licensing and Regulatory Fees | <u>\$12.61</u> | Exhibit G |
| = Estimated Federal MLR Denominator | \$356.87 | |

Estimated Federal MLR **85.91%**

NOTES:

The above calculation is purely an estimate and not meant to be compared to the minimum MLR benchmark for federal/state MLR rebate purposes:

- 1) The above calculation represents only the products in this filing. Federal MLR will be calculated at the legal entity and market level.
- 2) Not all numerator/denominator components are captured above (for example, third party vendors excess reimbursement, fraud and prevention program costs, payroll taxes, assessments for state high risk pools etc.).
- 3) Other adjustments may also be applied within the federal MLR calculation such as 3-year averaging, new business, credibility, deductible and dual option. These are ignored in the above calculation.
- 4) Licensing and Regulatory Fees include ACA-related fees as allowed under the MLR Final Rule

Exhibit O - Projected Index Rate Development

Effective January 1, 2014

HMO Colorado, Inc.
Small Group

| | | | |
|---|----|-----------------|---------------------------------------|
| 1) Projected Paid Claim Cost | \$ | 303.25 | Exhibit A, Line Item 8 |
| 2) <u>- Non-EHBs Embedded in Line Item 1) Above</u> | | <u>\$1.49</u> | Exhibit E (see footnote in Exhibit E) |
| 3) = Projected Paid Claims, Excluding ALL Non-EHBs | \$ | 301.76 | |
| 4) + Rx Rebates | | (\$2.52) | Exhibit E |
| 5) <u>+ Additional EHBs {1}</u> | | <u>\$0.22</u> | Exhibit E |
| 6) = Projected Paid Claims Reflecting <i>only</i> EHBs | \$ | 299.46 | |
| 7) <u>÷ Paid to Allowed Ratio</u> | | <u>0.6968</u> | |
| 8) = Projected Allowed Claims Reflecting <i>only</i> EHBs | | \$429.78 | = Index Rate |

NOTES:

{1} Pediatric Dental and Pediatric Vision

Exhibit P - Development of Required Premium from Index Rate

Effective January 1, 2014

HMO Colorado, Inc. Small Group

| | <u>Weighted Average for Risk Pool</u> | |
|---|---|--|
| 1) Index Rate | \$429.78 | Exhibit O |
| 2) <u>x Paid to Allowed Ratio</u> | <u>0.6968</u> | Exhibit O |
| 3) = Projected Paid Claims Reflecting <i>only</i> EHBs | \$299.46 | |
| <u>Allowable Index Rate Adjustments {1} {2}:</u> | | |
| 4) x Benefit Adjustments | 1.0000 | |
| 5) + Non-EHBs | \$4.31 | Exhibit E and Exhibit O |
| 6) x Catastrophic Adjustment | 1.0000 | |
| 7) x Network Adjustment | 1.0000 | |
| 8) + Risk Mitigation - Contributions and Payments | \$5.10 | Exhibit F |
| 9) <u>+ Selling Expense, Administration and Other Retention Items</u> | <u>\$74.83</u> | Exhibit G (also see Exhibit A, Line item 12) |
| 10) = Required Premium in Projection Period | \$383.70 | Ties to Exhibit A, Line item 13 |

NOTES:

- {1} Allowable adjustments to the index rate as made above are in accordance with the Market Reform and Payment Parameters Regulations.
- {2} The above illustrates the allowable adjustments to the average single risk pool index rate as included in this rate filing. These adjustments may vary on a plan by plan basis and such variances are captured in the benefit plan factors as summarized in Exhibit I.
- {3} Plan-level rates are obtained by multiplying the base rate as shown in line item 15 of Exhibit A by the benefit plan factors illustrated in Exhibit I. Further allowable adjustments (age, tobacco and area) are applied to arrive at final premium rates.

Exhibit Q - Quarterly Index and Base Rate

HMO Colorado, Inc. Small Group

| | Rates Effective: | | | | |
|-------------------------|------------------|-----------|-----------|-----------|-----------|
| | 1Q14 | 2Q14 | 3Q14 | 4Q14 | Wtd Avg |
| Renewing Member Months | 281,954 | 105,733 | 105,733 | 211,466 | 704,886 |
| Quarterly Allowed Trend | | 2.2% | 2.2% | 2.1% | |
| Index Rate | \$429.78 | \$ 439.02 | \$ 448.46 | \$ 457.99 | \$ 442.43 |
| Quarterly Paid Trend | | 2.4% | 2.4% | 2.4% | |
| Base Rate | \$ 277.06 | \$ 283.79 | \$ 290.72 | \$ 297.78 | |

NOTES:

{1} The 1Q14 index rate was derived in Exhibit O.

{2} The 1Q14 index rate is assumed to increase with quarterly allowed trend as illustrated above.

{3} The 1Q14 base rate was derived in Exhibit A.

{4} The 1Q14 base rate is assumed to increase with quarterly paid trend as illustrated above. This trend rate differs from the index rate trend in that it includes anticipated changes for non-EHBs, deductible leveraging, fees, and risk mitigation programs.

{5} Minor rate variances may occur due to differences in rounding methodology.

Exhibit R - Terminated Products

HMO Colorado, Inc. Small Group

Following are the products that will be terminated prior to the effective date:

This includes products that have experience included in the URRT during the experience period and any products that were not in effect during the experience period but were made available thereafter.

HIOS Product ID

HIOS Product Name

{1} Note: as each HIOS Product ID covers grandfathered along with non-grandfathered plans, product terminations are not applicable

ACTUARIAL MEMORANDUM

General Information

- Company Identifying Information

| | |
|---------------------|--------------------|
| Company Legal Name: | HMO Colorado, Inc. |
| State: | Colorado |
| HIOS Issuer ID: | 76680 |
| Market: | Small Group |
| Effective Date: | January 1, 2014 |

- Company Contact Information

| | |
|-----------------------------------|-----------------------------|
| Primary Contact Name: | Steve Spelshaus |
| Primary Contact Telephone Number: | (303) 831-2073 |
| Primary Contact Email Address: | Steven.Spelshaus@anthem.com |

A. Summary

1. Reason for rate filing: The purpose of this rate filing is to establish new product rates that are reasonable relative to the benefits provided and to demonstrate compliance with state laws and provisions of the Affordable Care Act (ACA). The rates will be in-force for effective dates on or after January 1, 2014. Subsequent rate changes will be implemented quarterly as discussed in more detail in Section R. Unified Rate Review Template Index Rate. These rates will apply to plans offered both On-Exchange and Off-Exchange. This rate filing is not intended to be used for other purposes.
2. Requested rate action: Not applicable as this filing is for new products.
3. Marketing method(s): The Non-Grandfathered forms are marketed by Connect for Health Colorado for Colorado's Health Insurance Exchange, and by direct mail, telemarketing, internet, or broker/agents for off Exchange.
4. Premium classification: Premiums at the member level are determined by multiplying the base rate by the applicable factor for each of the allowable rating criteria: age, tobacco, area, and benefit plan. An example of this calculation is shown in Exhibit M - Sample Rate Calculation.
5. Product Descriptions: Filed products provide Inpatient Hospital, Outpatient Hospital, Professional, Other Medical, Capitation, and Prescription Drug coverage for essential health benefits (EHBs). The methodology used to determine these benefit categories, which are found in Worksheet 1, Section II of the Unified Rate Review Template, is as follows:

- Inpatient Hospital: Includes non-capitated facility services for medical, surgical, maternity, mental health and substance abuse, skilled nursing, and other services provided in an inpatient facility setting and billed by the facility.
- Outpatient Hospital: Includes non-capitated facility services for surgery, emergency room, lab, radiology, therapy, observation and other services provided in an outpatient facility setting and billed by the facility.
- Professional: Includes non-capitated primary care, specialist, therapy, the professional component of laboratory and radiology, and other professional services, other than hospital based professionals whose payments are included in facility fees.
- Other Medical: Includes non-capitated ambulance, home health care, DME, prosthetics, supplies, vision exams, dental services and other services.
- Capitation: Includes all services provided under one or more capitated arrangements.
- Prescription Drug: Includes drugs dispensed by a pharmacy and rebates received from drug manufacturers.

Some plans provide coverage for benefits in excess of the essential health benefits. These are described in Section R. Unified Rate Review Template Index Rate. Inconsistencies between Colorado-mandated and Center for Consumer Information and Insurance Oversight (CCIIO) listed EHBs are addressed in Section D. Effect of Law Changes.

| | |
|---------------------------|---|
| 6. Policy Form Number(s): | EOC_ENG_HMOCOLORADO_76680CO0230003_20140101 |
| | EOC_ENG_HMOCOLORADO_76680CO0230001_20140101 |
| | EOC_ENG_HMOCOLORADO_76680CO0230002_20140101 |
| | EOC_ENG_HMOCOLORADO_76680CO0240027_20140101 |
| | EOC_ENG_HMOCOLORADO_76680CO0240029_20140101 |
| | EOC_ENG_HMOCOLORADO_76680CO0240028_20140101 |
| | EOC_ENG_HMOCOLORADO_76680CO0240018_20140101 |
| | EOC_ENG_HMOCOLORADO_76680CO0240022_20140101 |
| | EOC_ENG_HMOCOLORADO_76680CO0240025_20140101 |
| | EOC_ENG_HMOCOLORADO_76680CO0240026_20140101 |
| | EOC_ENG_HMOCOLORADO_76680CO0240008_20140101 |
| | EOC_ENG_HMOCOLORADO_76680CO0240009_20140101 |
| | EOC_ENG_HMOCOLORADO_76680CO0240013_20140101 |
| | EOC_ENG_HMOCOLORADO_76680CO0240014_20140101 |
| | EOC_ENG_HMOCOLORADO_76680CO0240015_20140101 |
| | EOC_ENG_HMOCOLORADO_76680CO0240030_20140101 |
| | EOC_ENG_HMOCOLORADO_76680CO0240031_20140101 |
| | EOC_ENG_HMOCOLORADO_76680CO0240021_20140101 |
| | EOC_ENG_HMOCOLORADO_76680CO0240002_20140101 |
| | EOC_ENG_HMOCOLORADO_76680CO0240020_20140101 |
| | EOC_ENG_HMOCOLORADO_76680CO0240023_20140101 |
| | EOC_ENG_HMOCOLORADO_76680CO0240005_20140101 |
| | EOC_ENG_HMOCOLORADO_76680CO0240007_20140101 |
| | EOC_ENG_HMOCOLORADO_76680CO0240016_20140101 |

7. Age Basis: Premiums are charged on a renewal age basis.
8. Renewability Provision: The products are guaranteed renewable.

B. Assumption, Acquisition, or Merger

The products included in the rate filing are not part of an assumption or acquisition of policies from another company.

C. Rating Period

The rating period effective date is January 1, 2014.

D. Effect of Law Changes

The effect on rates, expenses, and medical costs from changes in federal and state regulation is explained in Section I. Complete Explanation as to How Proposed Rates were Determined.

To the best of Anthem's knowledge and current understanding, this filing complies with the most recent regulations and related guidance. Anthem's intention is to fully comply with all applicable laws and guidance; however, the regulatory framework continues to change and evolve rapidly. To the extent relevant rules or guidance on the rules are updated or changed, amendments to this filing may be required.

• Colorado Essential Health Benefits

The following list comprises Colorado-mandated EHBs that do not appear on CCIIO's website for Colorado. Each was mapped to existing benefit categories in the Plan and Benefits Template (PBT), according to the benefit information in the Schedule of Benefits.

- Anesthetics – Outpatient Surgery (PBT row 65), Inpatient Physician Surgical Services (PBT row 78)
- Autism Spectrum Disorders – Outpatient Rehabilitation Services (PBT row 92), Habilitation Services (PBT row 93)
- Breast Reconstructive Surgery – Reconstructive Surgery (PBT row 128)
- Cardiac Rehabilitation – Outpatient Rehabilitation Services (PBT row 92)
- Contraceptive Services – Preventive Care/Screenings/Immunizations (PBT row 98)
- Hearing Exams – Preventive Care/Screenings/Immunizations (PBT row 98)
- Pulmonary Rehabilitation – Outpatient Rehabilitation Services (PBT row 92)
- Smoking Cessation Program – Preventive Care/Screenings/Immunizations (PBT row 98)

Additional information on the methodology used to classify each EHB can be found in the Plan and Benefit Template's Column K - Explanation.

E. Rate History

New product filing; this section is not applicable.

F. Coordination of Benefits

Claims experience can be found in Exhibit B - Claims Experience for Manual Rate Development. The allowed claims do not include coordination of benefits amounts.

G. Relation of Benefits to Premium

Non-Benefit expenses are detailed in Exhibit G - Non-Benefit Expenses and Profit & Risk.

- Administrative Expense

Administrative Expenses are expected to be consistent with historical levels and are developed utilizing the same methodology as previous filings, they are not varied by product or plan. Maintenance costs are assumed to be flat on a per member basis with savings from administrative efficiencies and the elimination of underwriting offset by new expenses for risk management and regulatory compliance.

- Quality Improvement Expense

The quality improvement expense represents Anthem's dedication to providing the highest standard of customer care and consistently seeking to improve health care quality, outcomes and value in a cost efficient manner.

- Selling Expense

Selling Expense represents broker commissions and bonuses associated with the broker distribution channel using historical and projected commission levels. Commissions will be paid On-Exchange and Off-Exchange.

- Taxes and Fees

- Patient-Centered Outcomes Research Institute (PCORI) Fee: The PCORI fee is a federally-mandated fee designed to help fund the Patient-Centered Outcomes Research Trust Fund. For plan years ending before October 1, 2014, the fee is \$2 per member per year. Thereafter, for every plan year ending before October 1, 2019, the fee will increase by the percentage increase in National Healthcare Expenditures.
- Risk Adjustment Fee: The Risk Adjustment fee is a user fee to support the administration of the HHS operated Risk Adjustment program. The charge is \$1 per enrollee per year.
- ACA Insurer Fee: The health insurance industry will be assessed a permanent fee, based on market share of net premium, which is not tax deductible.

- Exchange Fee: The Exchange User Fee applies to Exchange business only, but the cost is spread across all Small Group plans. It is a blended fee based on the assumed percentage of members that will purchase products On-Exchange and Off-Exchange.
- Federal, state, and premium taxes are also included in the retention items.

Retention loads for profit and contingencies and investment income are addressed in Section H. Provision for Profit and Contingencies.

Actual retention components may differ from the original proposed retention due to variation in actual premiums collected and claims or expenses incurred from projected levels. Also, administrative expenses are allocated across Anthem lines of business by membership, which may not recognize the true cost differences among these lines. Specifically, the proposed administrative expense component, as a percent of premium, is higher than actual experience in the previous two calendar years primarily due to declining membership, which results in increased administrative costs per remaining member, and increased Information Technology and systems costs required to implement Health Care Reform regulations.

H. Provision for Profit and Contingencies

Non-Benefit expenses are detailed in Exhibit G - Non-Benefit Expenses and Profit & Risk.

- Profit

Profit is reflected on a post-tax basis as a percent that does not vary by product or plan.

- Investment Income

Due to expected low, short-term interest rates, investment income from unearned reserves is immaterial to rate development and is excluded from the desired loss ratio.

I. Complete Explanation as to How Proposed Rates were Determined

Consistent with the Department of Health and Human Service's instructions for the Actuarial Memorandum and Certification, this section provides both an overview of the base rate determination (sub-section "Description of How the Base Rate is Determined") and a detailed description of rate development (sub-section "Credibility Manual Rate Development"). Index rate development is discussed in Section R. Unified Rate Review Template Index Rate.

Description of How the Base Rate is Determined

- Small Group manual rates are developed based on historical experience of Grandfathered and Non-Grandfathered business.
- The experience data is normalized to reflect anticipated changes in age/gender, area/network and benefit plan from the experience period to the projection period based on expected distribution of membership.

- The projected claims cost is calculated by adjusting the normalized claims for the impact of benefit changes, population morbidity, trend factors, other cost of care impacts and other claim adjustments.
- The projection period is February 1, 2014 - January 31, 2015. Small Group Business renews on a quarterly basis; therefore the middle month of the first quarter is February 2014.
- Adjustments for risk adjustment and reinsurance are applied to the projected claims cost.
- Non-benefit expenses, profit, and risk are applied to the projected claims cost to determine the required projection period premium.
- The average rating factors in the projection period are applied to the projection period premium to determine the base rate.
- The base rate represents an average benefit plan and area for an age 21 non-tobacco user in Colorado.

Credibility Manual Rate Development

Experience developed and projected herein is Anthem's Small Group Business based on plan liability amounts. The rate development is shown in Exhibit A - Base Rate Development.

• Source and Appropriateness of Experience Data Used

The source data underlying the development of the manual rate consists of claims for all Grandfathered and Non-Grandfathered Small Group business, incurred during the period November 1, 2011 – October 31, 2012 and paid through December 31, 2012. Completion factors are then calculated to reflect additional months of runout after December 31, 2012. Anthem expects a large portion of the Grandfathered Small Group policyholders to migrate to ACA-compliant policies prior to and during the projection period.

Other than completing the incurred claims, no further explicit adjustments are made to the experience data.

For more detail, see Exhibit B - Claims Experience for Manual Rate Development.

• Adjustments Made to the Data

The development of the claims projected to the projection period is summarized in Exhibit A - Base Rate Development, items (1) - (10), and described in detail below.

The projected claims cost is calculated by multiplying the normalized claims cost by the impact of benefit changes, anticipated changes in population morbidity, and cost of care impacts. The adjustments are described below, and the factors are presented in Exhibit D - Projection Period Adjustments.

Changes in Demographics (Normalization)

The source data was normalized to reflect anticipated changes in age/gender, area/network and benefit plan from the experience period to the projection period. The purpose of these factors is to adjust current experience to be reflective of expected claim experience in the projection period. See Section U. Membership Projections for additional information on membership movement. The normalization factors and their aggregate impact on the underlying experience data are detailed in Exhibit C - Normalization Factors.

- Age/Gender: The assumed claims cost is applied by age and gender to the experience period distribution and the projection period distribution.
- Area/Network: The area claims factors are developed based on an analysis of Small Group and Individual allowed claims by network, mapped to the prescribed 2014 rating areas using 5-digit zip code.
- Benefit Plan: The experience period claims are normalized to an average 2014 plan using benefit relativities. The benefit relativities include the value of cost shares and anticipated changes in utilization due to the difference in average cost share requirements.

Changes in Benefits

Benefit changes include the following:

- Preventive Rx (over the counter): The claims are adjusted for 100% coverage of benefits for specific over the counter drugs obtained with a prescription from a physician.
- Rx Adjustments: The claims are adjusted for differences in the Rx formulary, coverage for preventive prescription drugs previously sold over-the-counter, and impacts for moving drugs into different tiers in the projection period relative to what is reflected in the base experience data.

Changes in the Morbidity of the Population Insured

The claims are adjusted to reflect shifts in health insurance coverage as a result of the provisions of the ACA. The market shifts, or population movements, affecting the morbidity of the Small Group market in the projection period include:

- Small Groups electing to drop coverage
- Small group members electing to be uninsured
- Small groups moving to self-funded coverage
- Small group members moving to Medicaid
- Renewal timing changes as Small Groups elect to move their renewal date and remain on their current products longer in 2014

The movement assumptions above are based on market research and assumptions on the employer opt-out and consumer uptake rates. The morbidity impacts of population movement are based on health status determined from internal risk score data.

Trend Factors

- The annual pricing trend used in the development of the rates is 10.1%. The trend is based on projected cost and utilization trends by place of service, including anticipated changes in provider contracts. Normalization adjustments are made for persistent business, age/gender, and large claims. Trend also includes an estimate for leveraging. The claims are trended 27 months from the midpoint of the experience period, which is May 1, 2012, to the midpoint of the projection period, which is August 1, 2014.

Other Claim Adjustments

The adjustments described below are presented in Exhibit E - Other Claim Adjustments.

- Rx Rebates: The projected claims cost is adjusted to reflect anticipated Rx rebates. These projections take into account the most up-to-date information regarding anticipated rebate contracts, drug prices, anticipated price inflation, and upcoming patent expirations.
- The cost of adding benefits for pediatric dental and vision are included.

- **Capitation Payments**

The underlying data includes capitation payments, which are combined with the base medical and pharmacy claims and projected at the same rate. No further adjustment is made to the capitation.

J. Trend

The proposed trend is based on projected cost and utilization trends by place of service, including the expected changes in provider reimbursement rates. Medical Trend is split into three categories; contractual, utilization, and other. The other category consists of changes in the mix of services provided, medical cost shifting, and new medical procedures and technology. Insurance trend represents the effects of deductible leveraging. Exhibits T and U detail the trend assumptions.

K. Credibility

The combination of both Grandfathered and Non-Grandfathered experience data most reasonably reflects Small Group claims experience under the future projection period. Actuarial judgment has been exercised to determine that rates will be developed giving full credibility to the data underlying the manual rate in Section I. Complete Explanation as to How Proposed Rates were Determined.

- **Resulting Credibility Level Assigned to Base Period Experience**

The credibility level assigned to the experience in Worksheet 1, Section III of the Unified Rate Review Template is 0%.

Full credibility is assigned to the Small Group data shown in Exhibits B - Claims Experience for Manual Rate Development and S - Data Requirements. This data meets the Colorado full credibility requirements for membership and claims counts.

L. Data Requirements

Experience shown in Worksheet 1, Section I of the Unified Rate Review Template is for the Colorado Small Group Single Risk Pool Non-Grandfathered Business. This experience, addressed in Section Q. Unified Rate Review Template Experience, is deemed not credible and therefore is not used for development of manual rates. The manual rates are fully detailed in Section I. Complete Explanation as to How Proposed Rates were Determined. Experience underlying rate development is provided in Exhibit B - Claims Experience for Manual Rate Development.

Small group experience for the last three years can be found in Exhibit S - Data Requirements. Claim counts represent the total number of approved or paid claims by incurred month, regardless of the amount paid by Anthem on the claim. Claim counts do not include incurred but not reported (IBNR) claims.

M. Side by Side Comparison

New product filing; this section is not applicable.

N. Benefits Ratio Projections

The projected benefits ratio is illustrated in Exhibit A. Base Rate Development. The determination of claims and premiums comprising this ratio is detailed in Section I. Complete Explanation as to How Proposed Rates were Determined.

- **Federal MLR Projection**

The projected Federal MLR for the products in this filing is estimated in Exhibit N - Federal MLR Estimated Calculation. Please note that this calculation is purely an estimate and not meant to be a true measure for Federal or State MLR rebate purposes. The products in this filing represent only a subset of Anthem's Small Group business. The MLR for Anthem's entire book of Small Group business will be compared to the minimum Federal benchmark for purposes of determining regulation-related premium refunds. Also note that the projected Federal MLR presented here does not capture all adjustments, including but not limited to third party margins, three-year averaging, credibility, dual option, and deductible. Anthem's projected MLR is expected to meet or exceed the minimum MLR standards at the market level after including all adjustments.

- Projected Risk Adjustment

The Risk Adjustment program transfers funds from lower risk plans to higher risk plans in the Non-Grandfathered Individual and Small Group market. At this time, Anthem is assuming the risk for the plans in this filing are no better or worse than other plans in the market, resulting in no estimated risk transfer value as shown in Exhibit F - Risk Adjustment and Reinsurance - Contributions and Payments.

- Projected ACA Reinsurance Recoveries Net of Reinsurance Premium

The transitional reinsurance risk mitigation program collects funds from all insurance issuers and TPAs and redistributes them to high cost claimants in the Non-Grandfathered Individual market. The reinsurance contribution is equal to the national per capita reinsurance contribution rate as shown in Exhibit F - Risk Adjustment and Reinsurance - Contributions and Payments.

O. Other Factors

The required premium in the projection period is adjusted to reflect the average age, tobacco, area, and benefit plan rating factors to develop the rating period base rate. The average factors are shown in Exhibit H - Average 2014 Rating Factors and applied in line item 14 of Exhibit A - Base Rate Development.

- Benefit Plan Factors

Refer to Exhibit I - Non-Grandfathered Benefit Plan Factors.

- Age and Tobacco Factors

Refer to Exhibit J - Age Factors.

Refer to Exhibit K - Tobacco Factors.

- Area Factors

Refer to Exhibit L - Area Factors.

All rating factors were developed in accordance with PPACA Rate Filing Procedures for Colorado, as of May 7, 2013, and supplementary guidance provided by the Division of Insurance. Area factors were developed according to benefits, age, large claims and morbidity normalized per-member costs, combined with differences in expected 2014 contractual savings by rating area. Differences in area factors by network exist due to unit cost savings and utilization efficiency for providers comprising each network.

P. Rating Manuals

A rating manual is attached to Rate/Rule Schedule tab in SERFF. It provides the base rate and all rating factors associated with products in this filing.

Q. Unified Rate Review Template Experience

Claims experience in Worksheet 1, Section I of the Unified Rate Review Template reflects dates of service from January 1, 2012 through December 31, 2012.

- **Paid Through Date**

Claims shown in Worksheet 1, Section I of the Unified Rate Review Template are paid through December 31, 2012.

- **Allowed and Incurred Claims Incurred During the Experience Period**

The allowed claims are determined by adding member cost sharing amounts to plan liability amounts.

Allowed and incurred claims are completed using the chain ladder method, an industry standard, by using historic paid vs. incurred claims patterns. The method calculates historic completion percentages, representing the percent of claims paid for a particular month after one month of run out, two months, etc., for a forty-eight month view of history. Claim backlog files are reviewed on a monthly basis and are accounted for in the historical completion factor estimates.

- **Premiums (net of MLR Rebate) in Experience Period**

The estimated Non-Grandfathered gross earned premium for Colorado Small Group is \$2,999,401, where earned premium is the pro-rata share of premium owed to Anthem due to subscribers actively purchasing insurance coverage during the experience period.

The preliminary MLR Rebate estimate is \$0, which is consistent with the 12/31/2012 Anthem general ledger estimate allocated to the Non-Grandfathered portion of Small Group. Note that this is an estimate and will not be final until 6/1/2013.

R. Unified Rate Review Template Index Rate

- **Experience Period Index Rate**

The index rate represents the average allowed claims PMPM of essential health benefits for HMO Colorado, Inc. 's Small Group Non-Grandfathered Business. The experience period index rate shown in Worksheet 1, Section I (cell G17) of the Unified Rate Review Template is \$910.62 and is different than the experience period allowed claims (cell G16 in the same location) due to non-essential health benefits covered during the experience period. A comparison to the benchmark was performed and Acupuncture was identified as non-essential health benefits covered during the experience period.

- **Projection Period Index Rate**

The index rate represents the average allowed claims PMPM of essential health benefits for HMO Colorado, Inc. 's Small Group Non-Grandfathered Business. The 1st quarter projection period index rate was developed as shown in Exhibit O - Projected Index Rate Development by adjusting the projected incurred claims PMPM described in Section I. Complete Explanation as to How Proposed Rates were Determined of this memorandum. Projected trended index rates by quarter are also captured in Exhibit Q - Quarterly Index and Base Rate. Covered benefits in excess of essential health benefits that are included in the projection period allowed claims (cell T30 of Worksheet 1, Section II of the Unified Rate Review Template) but excluded from Exhibit Q's projection period index rate (also shown in cell V44 of Worksheet 1, Section III of the Unified Rate Review Template) are Spinal Manipulation, Diagnosis of Infertility, Webinars (DocTalk), Healthy Lifestyles Incentives (\$150/yr), Tobacco Free Certification with Incentives (\$50/yr), Gym Reimbursement (\$400/yr), and Incentive Admin (AHR Direct Platform and HMRK Gift Card). To calculate the required premium, the projection period index rate is adjusted only by the adjustments allowed per Market Reform and Payment Parameters Regulations. This development is presented in Exhibit P - Development of Required Premium from Index Rate.

- **Quarterly Index and Base Rate**

Quarterly index and base rate changes will be implemented On-Exchange and Off-Exchange. Refer to Exhibit Q - Quarterly Index and Base Rate.

S. Actuarial Value Metal Values

The Actuarial Value (AV) Metal Values included in Worksheet 2 of the Unified Rate Review Template are based on the AV Calculator. To the extent a component of the benefit design was not accommodated by an available input within the AV Calculator, the benefit characteristic was adjusted to be actuarially-equivalent to an available input within the AV Calculator for purposes of utilizing the AV Calculator as the basis for the AV Metal Values. Benefits for Plans that are not compatible with the parameters of the AV Calculator have been separately identified and documented in the Unique Plan Design Supporting Documentation and Justification that supports the Plan & Benefits Template.

T. Actuarial Value Pricing Values

The AV Pricing Values for each Product ID are in Worksheet 2, Section I of the Unified Rate Review Template. The fixed reference plan selected as the basis for the AV Pricing Value calculations is '76680CO0240018'. Utilization adjustments are made to account for member behavior variations, depending on the richness of the benefit design and not the health status of the member. The average allowable modifiers to the Index Rate can be found in Exhibit P - Development of Required Premium from Index Rate.

U. Membership Projections

Membership projections are developed using a population movement model and adjustments for sales expectations. This model projects the membership in the projection period by taking into account:

- Small Groups dropping coverage
- Small Group members opting out of coverage
- Small Group members to Medicaid as a result of expanded Medicaid eligibility

The plan distribution is based on assumed metal tier and network distributions.

Refer to Exhibit D - Projection Period Adjustments for the projected morbidity changes from population movement

V. Terminated Products

Non ACA-compliant plans will no longer be offered to new enrollees effective January 1, 2014 but will remain in effect in 2014 until enrollees renew onto ACA-compliant plans. The list of non ACA-compliant terminated plans with their corresponding HIOS products are shown in Exhibit R - Terminated Products.

Actuarial Certification

I, Michael Polakowski, FSA, MAAA, am an actuary for Anthem. I am a member of the American Academy of Actuaries and a Fellow of the Society of Actuaries. I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein. I hereby certify that the following statements are true to the best of my knowledge with regards to this filing:

(1) The projected Index Rate is:

- In compliance with all applicable State and Federal Statutes and Regulations (45 CFR 156.80(d)(1)),
- Developed in compliance with the applicable Actuarial Standards of Practice
- Reasonable in relation to the benefits provided and the population anticipated to be covered
- Not excessive, inadequate, or unfairly discriminatory.

(2) The Index Rate and only the allowable modifiers as described in 45 CFR 156.80(d)(1) and 45 CFR 156.80(d)(2) were used to generate plan level rates.

(3) The percent of total premium that represents essential health benefits included in Worksheet 2, Sections III and IV is calculated in accordance with actuarial standards of practice.

(4) The AV Calculator was used to determine the AV Metal Values shown in Worksheet 2 of the Part I Unified Rate Review Template for all plans.

The Part I Unified Rate Review Template does not demonstrate the process used by the issuer to develop the rates. Rather it represents information required by Federal regulation to be provided in support of the review of rate increases, for certification of Qualified Health Plans for Federally-Facilitated Exchanges, and for certification that the Index Rate is developed in accordance with Federal regulation, used consistently, and only adjusted by the allowable modifiers. However, this Actuarial Memo does accurately describe the process used by the issuer to develop the rates.



Michael Polakowski, FSA, MAAA
Regional Vice President and Actuary III

May 14, 2013
Date

Exhibit A - Base Rate Development

Effective January 1, 2014

HMO Colorado, Inc.
Small Group

| | <u>Paid Claims</u> | |
|--|--------------------|-------------------------------|
| 1) Experience Period Cost PMPM | \$ 297.23 | Exhibit B |
| 2) <u>x Normalization Factor</u> | <u>0.8888</u> | Exhibit C |
| 3) = Normalized Claims | \$ 264.18 | = (1) x (2) |
| 4) x Benefit Changes | 0.9437 | Exhibit D |
| 5) x Morbidity Changes | 0.9789 | Exhibit D |
| 6) x Trend Factor | 1.2426 | Exhibit D |
| 7) <u>x Other Cost of Care Impacts</u> | <u>1.0000</u> | Exhibit D |
| 8) = Projected Claim Cost | \$ 303.25 | = (3) x (4) x (5) x (6) x (7) |
| 9) + Other Claim Impacts | \$0.52 | Exhibit E |
| 10) = Claims Projected to Projection Period | \$ 303.77 | = (8) + (9) |
| 11) + Risk Mitigation - Contributions and Payments | \$5.10 | Exhibit F |
| 12) <u>+ Selling Expense, Administration and Other Retention Items</u> | <u>\$74.83</u> | Exhibit G |
| 13) = Required Premium in Projection Period | \$ 383.70 | = (10) + (11) + (12) |
| 14) <u>÷ Average Rating Factors in Projection Period</u> | <u>1.3849</u> | Exhibit H |
| 15) = Base Rate (Average Plan-Level - Age 21 - Non-Tobacco) | \$ 277.06 | = (13) ÷ (14) |
| 16) Projected Loss Ratio (Conventional Basis) | 80.5% | = [(10) + (11)] ÷ (13) |

Exhibit B - Claims Experience for Manual Rate Development

HMO Colorado, Inc.
Small Group

Incurred November 1, 2011 through October 31, 2012

Paid through December 31, 2012

PPO, HMO, Traditional and Anthem Essential Small Group In-Area Business:

| PAID CLAIMS: | | | | | | | | | | |
|---------------------------|---------------|--------------|-----------|------------------------|---------------|------------|-----------------|---------|-------|--------|
| Incurred and Paid Claims: | | IBNR: | | Fully Incurred Claims: | | | Total | Member | Total | |
| Medical | Drug | Medical | Drug | Medical | Drug | Capitation | Benefit Expense | Months | PMPM | |
| \$ 171,882,362 | \$ 34,044,979 | \$ 3,556,956 | \$ 20,767 | \$ 175,439,318 | \$ 34,065,746 | \$ 9,271 | \$ 209,514,335 | 704,886 | \$ | 297.23 |

| ALLOWED CLAIMS: | | | | | | | | | | |
|---------------------------|---------------|--------------|-----------|------------------------|---------------|------------|-----------------|---------|-------|--------|
| Incurred and Paid Claims: | | IBNR: | | Fully Incurred Claims: | | | Total | Member | Total | |
| Medical | Drug | Medical | Drug | Medical | Drug | Capitation | Benefit Expense | Months | PMPM | |
| \$ 222,898,652 | \$ 50,145,533 | \$ 4,473,670 | \$ 28,894 | \$ 227,372,322 | \$ 50,174,427 | \$ 9,271 | \$ 277,556,020 | 704,886 | \$ | 393.76 |

Exhibit C - Normalization Factors

HMO Colorado, Inc.
Small Group

Experience Period: November 1, 2011 through October 31, 2012

| Normalize to population expected in 2014 | | | |
|---|------------------------------|-------------------|---------------|
| Average claim factors based on future population as compared to experience period population: | | | |
| | Average Claim Factors | | Normalization |
| | Experience Period Population | Future Population | Factor |
| Age/Gender | 1.0186 | 1.0191 | 1.0005 |
| Area/Network | 0.9891 | 0.8789 | 0.8886 |
| Benefit Plan | 0.9011 | 0.9008 | 0.9997 |
| Total | 0.9078 | 0.8068 | 0.8888 |

Exhibit D - Projection Period Adjustments

HMO Colorado, Inc. Small Group

Impact of Changes Between Experience Period and Projection Period:

| | <u>Adjustment Factor</u> |
|------------------------------------|--------------------------|
| <u>Benefit changes</u> | |
| Preventive Rx (over the counter) | 1.0006 |
| Eliminate Pre-Ex | 1.0000 |
| <u>Rx Adjustments {1}</u> | <u>0.9431</u> |
| Total Benefit Changes | 0.9437 |
| <u>Morbidity changes</u> | |
| Total Morbidity Changes | 0.9789 |
| <u>Cost of care impacts</u> | |
| Annual Medical/Rx Trend Rate | 10.1% |
| # Months of Projection | 27 |
| Trend Factor | 1.2426 |

NOTES:

{1} Adjusted for differences in the Rx formulary and impacts for moving drugs into different tiers in the projection period relative to what is reflected in the base experience data.

Exhibit E - Other Claim Adjustments

HMO Colorado, Inc. Small Group

| <i>Adjustments to projection period claims to reflect covered benefits not included in experience period data:</i> | |
|--|--------------------|
| | <u>PMPM</u> |
| Rx Rebates | (\$2.52) |
| Pediatric Dental | \$0.08 |
| Pediatric Vision | \$0.14 |
| <u>Additional Non-EHBs {1}</u> | <u>\$2.82</u> |
| Total | \$0.52 |

NOTES:

{1} The 'Additional Non-EHBs' adjustment above reflects ONLY additional costs beyond those already captured in line Item 8 of Exhibit A. Line Item 8 of Exhibit A includes \$1.49 of embedded Non-EHB medical costs resulting from inclusion in the experience data and/or the normalization process.

Exhibit F - Risk Adjustment and Reinsurance - Contributions and Payments

HMO Colorado, Inc.
Small Group
Effective January 1, 2014

| | | | | | |
|--|---|---|--|--|--|
| <u>Risk Adjustment:</u> | | | | | |
| Description | Transfers funds from lowest risk plans to highest risk plans | | | | |
| Participants | Non-Grandfathered Individual and Small Group plans (inside and outside Exchange) are eligible | | | | |
| PMPM | Net Transfer | | | | |
| Federal Program | \$0.00 | | | | |
| | <u>Note:</u> | It is assumed the risk for the plans included in this rate filing is no better/worse than any other plans within this market. | | | |
| <u>Reinsurance:</u> | | | | | |
| Description | Provides funding to plans that enroll highest cost individuals | | | | |
| Participants | All insurance issuers and TPAs contribute funds | | | | |
| | Non-Grandfathered Individual plans (inside and outside Exchange) are eligible for payments | | | | |
| PMPM | Contributions Made | Expected Payments | | | |
| Federal Program | \$5.10 | \$0.00 | <i>Small Group Plans contribute funds but only Individual Plans are eligible to receive payments</i> | | |
| | <u>Source:</u> | HHS estimates a national per capita contribution rate of \$5.25 per month (\$63 per year) in benefit year 2014 and \$3.50 per month (\$42 per year) in 2015 (per Payment Parameter Rule). | | | |
| Grand Total of All Risk Mitigation Programs | | | \$5.10 | | |

NOTES:

\$5.10 = \$5.25 * (11 months/12months) + \$3.50 * (1 months/12 months)

\$5.25 = 2014 contribution

\$3.50 = 2015 contribution

Exhibit G - Non-Benefit Expenses and Profit & Risk

HMO Colorado, Inc. Small Group

| | <u>\$ PMPM</u> | <u>% Premium</u> | | | |
|--|---|---|--------------------------------------|---|---|
| | Proposed effective January 1, 2014 | Proposed effective January 1, 2014 | Current effective June 1, 2013 | Actual Retention 2011 Financials | Actual Retention 2012 Financials |
| Admin Expense | \$21.71 | 5.7% | 5.5% | 3.5% | 3.4% |
| Quality Improvement Expense | \$2.83 | 0.74% | | | |
| Broker Commission | \$16.34 | 4.3% | 5.0% | 2.2% | 2.3% |
| Group Conversion Charge | \$0.00 | 0.0% | 0.4% | | |
| After-Tax Provision for Profit & Contingencies | \$15.05 | 3.9% | 3.3% | -16.0% | -15.6% |
| Premium Tax | \$0.00 | 0.0% | 0.0% | 0.0% | 0.0% |
| Federal Income Tax | \$8.46 | 2.2% | 1.8% | -8.6% | -8.4% |
| State Income Tax {1} | \$0.67 | 0.2% | | | |
| Investment Income | \$3.91 | 1.0% | 0.7% | 1.7% | 1.5% |
| ACA-related Fees | \$12.61 | 3.3% | 0.9% | | |
| PCORI Fee | \$0.17 | 0.04% | | | |
| Risk Adjustment User Fee | \$0.08 | 0.02% | | | |
| ACA Insurer Fee | \$10.24 | 2.67% | | | |
| Exchange User Fee | \$2.11 | 0.55% | | | |
| Total Retention | | 20.5% | 17.6% | | |
| Desired Loss Ratio {2} | | 80.5% | 83.1% | | |

{1} In prior filings and company financials, State Income Tax is included in After-Tax Provision for Profit & Contingencies

{2} Desired Loss Ratio excludes investment income.

Exhibit H - Average 2014 Rating Factors

HMO Colorado, Inc.
Small Group

Effective January 1, 2014

| <i>Average 2014 rating factors for 2014 population:</i> | |
|---|------------------------------|
| | Average Rating Factor |
| Age/Tobacco | 1.3846 |
| Area/Benefit Plan | 1.0002 |
| Total | 1.3849 |

NOTES:

The developed base rate is reduced by the overall average rating factor shown above.
See Line Item 14 on Exhibit A.

Exhibit I - Non-Grandfathered Benefit Plan Factors

**HMO Colorado, Inc.
Small Group
Effective January 1, 2014**

| On-Exchange Plans: | | | |
|--------------------|--|--------------------|--------------------|
| <u>Metal Level</u> | <u>HIOS Standard Component Plan ID</u> | <u>Network</u> | <u>Plan Factor</u> |
| Catastrophic | | | |
| Bronze | 76680CO0230003 | Highly Aligned HMO | 0.7765 |
| Silver | 76680CO0230001 | Highly Aligned HMO | 0.9416 |
| Gold | 76680CO0230002 | Highly Aligned HMO | 1.2125 |
| Platinum | | | |

| Off-Exchange Plans: | | | |
|---------------------|--|--------------------|--------------------|
| <u>Metal Level</u> | <u>HIOS Standard Component Plan ID</u> | <u>Network</u> | <u>Plan Factor</u> |
| Catastrophic | | | |
| Bronze | 76680CO0240027 | Blue Priority HMO | 0.8918 |
| | 76680CO0240029 | Blue Priority HMO | 0.8222 |
| | 76680CO0240028 | Blue Priority HMO | 0.8918 |
| Silver | 76680CO0240018 | Highly Aligned HMO | 0.9520 |
| | 76680CO0240022 | Highly Aligned HMO | 0.9276 |
| | 76680CO0240025 | Highly Aligned HMO | 0.9817 |
| | 76680CO0240026 | Highly Aligned HMO | 1.0624 |
| | 76680CO0240008 | Blue Priority HMO | 0.9890 |
| | 76680CO0240009 | Blue Priority HMO | 0.9520 |
| | 76680CO0240013 | Blue Priority HMO | 0.9869 |
| | 76680CO0240014 | Blue Priority HMO | 1.0285 |
| | 76680CO0240015 | Blue Priority HMO | 1.0639 |
| | 76680CO0240030 | Highly Aligned HMO | 0.9387 |
| | 76680CO0240031 | Highly Aligned HMO | 0.9659 |
| | 76680CO0240021 | Highly Aligned HMO | 0.9868 |
| Gold | 76680CO0240002 | Blue Priority HMO | 1.1449 |
| | 76680CO0240020 | Highly Aligned HMO | 1.1641 |
| | 76680CO0240023 | Highly Aligned HMO | 1.1665 |
| | 76680CO0240005 | Blue Priority HMO | 1.1633 |
| | 76680CO0240007 | Blue Priority HMO | 1.2095 |
| | 76680CO0240016 | Highly Aligned HMO | 1.2280 |
| | 76680CO0240001 | Highly Aligned HMO | 1.2125 |
| Platinum | | | |

NOTES:

Benefit Plan Factors above reflect plan by plan differences from the index rate for allowable adjustments as described in detail in the Market Reform and Payment Parameters Regulations and illustrated in Exhibit P. The weighted average of these adjustments for the entire risk pool included in this rate filing is detailed in Exhibit H.

Exhibit J - Age Factors

HMO Colorado, Inc.
Small Group
Effective January 1, 2014

| Age | Rating Factor |
|-------|---------------|
| 0-20 | 0.635 |
| 21-24 | 1.000 |
| 25 | 1.004 |
| 26 | 1.024 |
| 27 | 1.048 |
| 28 | 1.087 |
| 29 | 1.119 |
| 30 | 1.135 |
| 31 | 1.159 |
| 32 | 1.183 |
| 33 | 1.198 |
| 34 | 1.214 |
| 35 | 1.222 |
| 36 | 1.230 |
| 37 | 1.238 |
| 38 | 1.246 |
| 39 | 1.262 |
| 40 | 1.278 |
| 41 | 1.302 |
| 42 | 1.325 |
| 43 | 1.357 |
| 44 | 1.397 |
| 45 | 1.444 |
| 46 | 1.500 |
| 47 | 1.563 |
| 48 | 1.635 |
| 49 | 1.706 |
| 50 | 1.786 |
| 51 | 1.865 |
| 52 | 1.952 |
| 53 | 2.040 |
| 54 | 2.135 |
| 55 | 2.230 |
| 56 | 2.333 |
| 57 | 2.437 |
| 58 | 2.548 |
| 59 | 2.603 |
| 60 | 2.714 |
| 61 | 2.810 |
| 62 | 2.873 |
| 63 | 2.952 |
| 64+ | 3.000 |

Exhibit K - Tobacco Factors

HMO Colorado, Inc.
Small Group
Effective January 1, 2014

| Age | Rating Factor |
|------|---------------|
| 0-20 | 1.0000 |
| 21+ | 1.1000 |

Exhibit L - Area Factors

HMO Colorado, Inc.

Small Group

Effective January 1, 2014

| Rating Area Description | Highly Aligned HMO Network | Blue Priority HMO Network |
|--------------------------|-------------------------------|------------------------------|
| 1 - Boulder MSA | 0.9450 | |
| 2 - Colorado Springs MSA | 0.9057 | 0.9057 |
| 3 - Denver MSA | 0.9648 | 0.9648 |
| 4 - Fort Collins MSA | 1.0166 | |
| 5 - Grand Junction MSA | 1.0814 | |
| 6 - Greeley PMSA | 1.0788 | |
| 7 - Pueblo MSA | 1.0132 | |
| 8 - SE Non-MSA | 1.0631 | |
| 9 - NE Non-MSA | 1.3468 | |
| 10 - West Non-MSA | 1.2114 | |
| 11 - Resort Non-MSA | 1.4870 | |
| OOA | 1.1865 | |

NOTES:

{1} OOA = Out of Area

Exhibit M - Sample Rate Calculation

HMO Colorado, Inc.
Small Group

Group Name: Sample Group
Effective Date: 1/1/2014
On/Off Exchange: Off
Metal Level: Silver
Plan: 76680CO0240018
Rating Area: 3 - Denver MSA
Network: Highly Aligned HMO

Group Census:

| | Employee | Spouse | Number of Children | Child #1 Age | Child #2 Age | Child #3 Age | Child #4 Age | Tobacco User? | | | | | |
|--------------|----------|--------|--------------------|--------------|--------------|--------------|--------------|---------------|--------|----------|----------|----------|----------|
| | Age | Age | | | | | | Employee | Spouse | Child #1 | Child #2 | Child #3 | Child #4 |
| Employee #1 | 24 | 23 | 1 | 0 | | | | Yes | No | No | | | |
| Employee #2 | 26 | | | | | | | No | | | | | |
| Employee #3 | 28 | | | | | | | No | | | | | |
| Employee #4 | 32 | 33 | | | | | | Yes | No | | | | |
| Employee #5 | 30 | | 2 | 2 | 4 | | | No | | No | No | | |
| Employee #6 | 45 | 45 | 3 | 18 | 15 | 12 | | No | No | No | No | No | |
| Employee #7 | 53 | 55 | | | | | | Yes | Yes | | | | |
| Employee #8 | 41 | | 4 | 16 | 13 | 5 | 4 | No | | No | No | No | No |
| Employee #9 | 56 | | | | | | | No | | | | | |
| Employee #10 | 40 | | 1 | 25 | | | | No | | Yes | | | |
| Employee #11 | 62 | | | | | | | No | | | | | |
| Employee #12 | 64 | 64 | | | | | | No | No | | | | |

Calculation of Monthly Premium:

Base Rate = \$ 277.06 Exhibit A
x Benefit Plan Factor 0.9520 Exhibit I
x Area Factor 0.9648 Exhibit L
Base Rate Adjusted for Plan/Area = \$ 254.48

Age/Tobacco Factors:

Exhibit J and Exhibit K

| | Employee | | Spouse | | Child #1 | | Child #2 | | Child #3 | | Child #4 | |
|--------------|------------|----------------|------------|----------------|------------|----------------|------------|----------------|------------|----------------|------------|----------------|
| | Age Factor | Tobacco Factor | Age Factor | Tobacco Factor | Age Factor | Tobacco Factor | Age Factor | Tobacco Factor | Age Factor | Tobacco Factor | Age Factor | Tobacco Factor |
| Employee #1 | 1.000 | 1.10 | 1.000 | 1.00 | 0.635 | 1.00 | | | | | | |
| Employee #2 | 1.024 | 1.00 | | | | | | | | | | |
| Employee #3 | 1.087 | 1.00 | | | | | | | | | | |
| Employee #4 | 1.183 | 1.10 | 1.198 | 1.00 | | | | | | | | |
| Employee #5 | 1.135 | 1.00 | | | 0.635 | 1.00 | 0.635 | 1.00 | | | | |
| Employee #6 | 1.444 | 1.00 | 1.444 | 1.00 | 0.635 | 1.00 | 0.635 | 1.00 | 0.635 | 1.00 | | |
| Employee #7 | 2.040 | 1.10 | 2.230 | 1.10 | | | | | | | | |
| Employee #8 | 1.302 | 1.00 | | | 0.635 | 1.00 | 0.635 | 1.00 | 0.635 | 1.00 | 0.000 | 0.00 |
| Employee #9 | 2.333 | 1.00 | | | | | | | | | | |
| Employee #10 | 1.278 | 1.00 | | | 1.004 | 1.10 | | | | | | |
| Employee #11 | 2.873 | 1.00 | | | | | | | | | | |
| Employee #12 | 3.000 | 1.00 | 3.000 | 1.00 | | | | | | | | |

Final Monthly Premium PMPM:

| | Employee | Spouse | Children | Total |
|--------------|-----------|-----------|-----------|-------------|
| Employee #1 | \$ 279.93 | \$ 254.48 | \$ 161.59 | \$ 696.00 |
| Employee #2 | \$ 260.59 | | | \$ 260.59 |
| Employee #3 | \$ 276.62 | | | \$ 276.62 |
| Employee #4 | \$ 331.15 | \$ 304.87 | | \$ 636.02 |
| Employee #5 | \$ 288.83 | | \$ 323.19 | \$ 612.02 |
| Employee #6 | \$ 367.47 | \$ 367.47 | \$ 484.78 | \$ 1,219.72 |
| Employee #7 | \$ 571.05 | \$ 624.24 | | \$ 1,195.29 |
| Employee #8 | \$ 331.33 | | \$ 484.78 | \$ 816.11 |
| Employee #9 | \$ 593.70 | | | \$ 593.70 |
| Employee #10 | \$ 325.23 | | \$ 281.05 | \$ 606.28 |
| Employee #11 | \$ 731.12 | | | \$ 731.12 |
| Employee #12 | \$ 763.44 | \$ 763.44 | | \$ 1,526.88 |

NOTES:

- (1) As per the Market Reform Rule, when computing family premiums no more than the three oldest covered children under the age of 21 are taken into account whereas the premiums associated with each child age 21+ are included.
(2) This sample calculation ignores the tobacco offset under a Wellness Program as described in the Market Reform Rule.
(3) Minor rate variances may occur due to differences in rounding methodology.

Exhibit N - Federal MLR Estimated Calculation

HMO Colorado, Inc. Small Group

Numerator:

| | | |
|--|-----------------|-----------|
| Incurred Claims | \$303.77 | Exhibit A |
| + Quality Improvement Expense | \$2.83 | Exhibit G |
| + Risk Corridor Contributions | \$0.00 | |
| + Risk Adjustment Contributions | \$0.00 | Exhibit F |
| - Reinsurance Receipts | \$0.00 | Exhibit F |
| - Risk Corridor Receipts: | \$0.00 | |
| - Risk Adjustment Receipts: | <u>\$0.00</u> | Exhibit F |
| = Estimated Federal MLR Numerator | \$306.60 | |

Denominator:

| | | |
|--|-----------------|-----------|
| Premiums | \$383.70 | Exhibit A |
| - Federal and State Taxes | \$9.12 | Exhibit G |
| - Premium Taxes | \$0.00 | Exhibit G |
| - Reinsurance Contributions | \$5.10 | Exhibit F |
| - Licensing and Regulatory Fees | <u>\$12.61</u> | Exhibit G |
| = Estimated Federal MLR Denominator | \$356.87 | |

Estimated Federal MLR **85.91%**

NOTES:

The above calculation is purely an estimate and not meant to be compared to the minimum MLR benchmark for federal/state MLR rebate purposes:

- 1) The above calculation represents only the products in this filing. Federal MLR will be calculated at the legal entity and market level.
- 2) Not all numerator/denominator components are captured above (for example, third party vendors excess reimbursement, fraud and prevention program costs, payroll taxes, assessments for state high risk pools etc.).
- 3) Other adjustments may also be applied within the federal MLR calculation such as 3-year averaging, new business, credibility, deductible and dual option. These are ignored in the above calculation.
- 4) Licensing and Regulatory Fees include ACA-related fees as allowed under the MLR Final Rule

Exhibit O - Projected Index Rate Development

Effective January 1, 2014

HMO Colorado, Inc.
Small Group

| | | | |
|---|----|-----------------|---------------------------------------|
| 1) Projected Paid Claim Cost | \$ | 303.25 | Exhibit A, Line Item 8 |
| 2) <u>- Non-EHBs Embedded in Line Item 1) Above</u> | | <u>\$1.49</u> | Exhibit E (see footnote in Exhibit E) |
| 3) = Projected Paid Claims, Excluding ALL Non-EHBs | \$ | 301.76 | |
| 4) + Rx Rebates | | (\$2.52) | Exhibit E |
| 5) <u>+ Additional EHBs {1}</u> | | <u>\$0.22</u> | Exhibit E |
| 6) = Projected Paid Claims Reflecting <i>only</i> EHBs | \$ | 299.46 | |
| 7) <u>÷ Paid to Allowed Ratio</u> | | <u>0.6968</u> | |
| 8) = Projected Allowed Claims Reflecting <i>only</i> EHBs | | \$429.78 | = Index Rate |

NOTES:

{1} Pediatric Dental and Pediatric Vision

Exhibit P - Development of Required Premium from Index Rate

Effective January 1, 2014

HMO Colorado, Inc. Small Group

| | <u>Weighted Average for Risk Pool</u> | |
|---|---|--|
| 1) Index Rate | \$429.78 | Exhibit O |
| 2) <u>x Paid to Allowed Ratio</u> | <u>0.6968</u> | Exhibit O |
| 3) = Projected Paid Claims Reflecting <i>only</i> EHBs | \$299.46 | |
| <u>Allowable Index Rate Adjustments {1} {2}:</u> | | |
| 4) x Benefit Adjustments | 1.0000 | |
| 5) + Non-EHBs | \$4.31 | Exhibit E and Exhibit O |
| 6) x Catastrophic Adjustment | 1.0000 | |
| 7) x Network Adjustment | 1.0000 | |
| 8) + Risk Mitigation - Contributions and Payments | \$5.10 | Exhibit F |
| 9) <u>+ Selling Expense, Administration and Other Retention Items</u> | <u>\$74.83</u> | Exhibit G (also see Exhibit A, Line item 12) |
| 10) = Required Premium in Projection Period | \$383.70 | Ties to Exhibit A, Line item 13 |

NOTES:

- {1} Allowable adjustments to the index rate as made above are in accordance with the Market Reform and Payment Parameters Regulations.
- {2} The above illustrates the allowable adjustments to the average single risk pool index rate as included in this rate filing. These adjustments may vary on a plan by plan basis and such variances are captured in the benefit plan factors as summarized in Exhibit I.
- {3} Plan-level rates are obtained by multiplying the base rate as shown in line item 15 of Exhibit A by the benefit plan factors illustrated in Exhibit I. Further allowable adjustments (age, tobacco and area) are applied to arrive at final premium rates.

Exhibit Q - Quarterly Index and Base Rate

HMO Colorado, Inc. Small Group

| | Rates Effective: | | | | |
|-------------------------|------------------|-----------|-----------|-----------|-----------|
| | 1Q14 | 2Q14 | 3Q14 | 4Q14 | Wtd Avg |
| Renewing Member Months | 281,954 | 105,733 | 105,733 | 211,466 | 704,886 |
| Quarterly Allowed Trend | | 2.2% | 2.2% | 2.1% | |
| Index Rate | \$429.78 | \$ 439.02 | \$ 448.46 | \$ 457.99 | \$ 442.43 |
| Quarterly Paid Trend | | 2.4% | 2.4% | 2.4% | |
| Base Rate | \$ 277.06 | \$ 283.79 | \$ 290.72 | \$ 297.78 | |

NOTES:

{1} The 1Q14 index rate was derived in Exhibit O.

{2} The 1Q14 index rate is assumed to increase with quarterly allowed trend as illustrated above.

{3} The 1Q14 base rate was derived in Exhibit A.

{4} The 1Q14 base rate is assumed to increase with quarterly paid trend as illustrated above. This trend rate differs from the index rate trend in that it includes anticipated changes for non-EHBs, deductible leveraging, fees, and risk mitigation programs.

{5} Minor rate variances may occur due to differences in rounding methodology.

Exhibit R - Terminated Products

HMO Colorado, Inc. Small Group

Following are the products that will be terminated prior to the effective date:

This includes products that have experience included in the URRT during the experience period and any products that were not in effect during the experience period but were made available thereafter.

| Plan ID | Plan Name | HIOS Product ID | HIOS Product Name |
|---------|---|-----------------|----------------------|
| BA83 | Basic HMO | 76680CO019 | HMO |
| 0NN5 | Blue Priority \$1,000 | 76680CO019 | HMO |
| 0NN6 | Blue Priority \$1,500 | 76680CO019 | HMO |
| 0NNJ | Blue Priority \$2,000 | 76680CO019 | HMO |
| 074C | Classic HMO | 76680CO019 | HMO |
| 074D | Classic Select HMO | 76680CO019 | HMO |
| 07JU | Classic Select HMO - BeneFits | 76680CO019 | HMO |
| 074E | HMOSelect \$40 Copay/\$1000 | 76680CO019 | HMO |
| 04DL | HMOSelect \$40 Copay/\$1000 - BeneFits | 76680CO019 | HMO |
| 074F | HMOSelect \$45 GenRx/\$1500 | 76680CO019 | HMO |
| BA84 | Standard HMO | 76680CO019 | HMO |
| 074K | Classic HMO - Association | 76680CO021 | CO Association 2 HMO |
| 074L | Classic Select HMO - Association | 76680CO021 | CO Association 2 HMO |
| 074M | HMOSelect \$40 Copay/\$1000 - Association | 76680CO021 | CO Association 2 HMO |
| 074N | HMOSelect \$45 GenRx/\$1500 - Association | 76680CO021 | CO Association 2 HMO |

Exhibit S - Data Requirements

HMO Colorado, Inc. Small Group

EXPERIENCE SUMMARY - SMALL GROUP HMO AND PPO COMBINED

| YearMo | Contracts | Members | Premium | Incurred & Paid Claims | | | Incurred & Paid Claim Counts | | | Estimated Incurred Claims | | | Capitation | Loss Ratio | Rolling 12 Loss Ratio |
|--------|-----------|---------|------------|------------------------|-----------|------------|------------------------------|--------|---------|---------------------------|-----------|------------|------------|------------|-----------------------|
| | | | | Medical | Rx | Total | Medical | Rx | Total | Medical | Rx | Total | | | |
| 201001 | 40,024 | 69,718 | 24,552,745 | 18,697,496 | 2,146,995 | 20,844,491 | 50,747 | 71,823 | 122,570 | 18,697,496 | 2,146,995 | 20,844,491 | 3,183 | 84.9% | |
| 201002 | 39,792 | 69,258 | 24,473,053 | 14,100,203 | 2,275,044 | 16,375,247 | 49,525 | 67,642 | 117,167 | 14,100,203 | 2,275,044 | 16,375,247 | 3,113 | 66.9% | |
| 201003 | 39,685 | 69,096 | 24,463,260 | 15,743,802 | 2,818,890 | 18,562,692 | 55,210 | 74,564 | 129,774 | 15,743,802 | 2,818,890 | 18,562,692 | 3,055 | 75.9% | |
| 201004 | 39,416 | 68,641 | 24,398,082 | 15,342,581 | 2,858,412 | 18,200,993 | 53,550 | 70,579 | 124,129 | 15,342,581 | 2,858,412 | 18,200,993 | 3,092 | 74.6% | |
| 201005 | 38,893 | 67,716 | 24,194,637 | 14,928,392 | 2,924,267 | 17,852,659 | 49,243 | 68,040 | 117,283 | 14,928,392 | 2,924,267 | 17,852,659 | 3,048 | 73.8% | |
| 201006 | 38,661 | 67,373 | 24,173,997 | 16,417,569 | 3,183,137 | 19,600,706 | 52,217 | 69,516 | 121,733 | 16,417,569 | 3,183,137 | 19,600,706 | 3,080 | 81.1% | |
| 201007 | 38,380 | 66,865 | 24,110,361 | 14,904,313 | 3,122,590 | 18,026,903 | 49,089 | 66,582 | 115,671 | 14,904,313 | 3,122,590 | 18,026,903 | 2,929 | 74.8% | |
| 201008 | 38,048 | 66,283 | 24,032,047 | 17,503,430 | 3,408,301 | 20,911,731 | 52,170 | 74,452 | 126,622 | 17,503,430 | 3,408,301 | 20,911,731 | 2,969 | 87.0% | |
| 201009 | 37,538 | 65,520 | 23,881,699 | 16,874,850 | 3,045,410 | 19,920,260 | 49,970 | 58,373 | 108,343 | 16,874,850 | 3,045,410 | 19,920,260 | 2,923 | 83.4% | |
| 201010 | 37,586 | 65,609 | 23,973,410 | 17,700,493 | 3,141,103 | 20,841,596 | 52,906 | 59,430 | 112,336 | 17,700,493 | 3,141,103 | 20,841,596 | 2,821 | 86.9% | |
| 201011 | 37,421 | 65,401 | 24,072,927 | 17,615,994 | 3,466,083 | 21,082,077 | 52,323 | 59,575 | 111,898 | 17,615,994 | 3,466,083 | 21,082,077 | 2,513 | 87.6% | |
| 201012 | 37,635 | 65,541 | 24,528,658 | 18,481,783 | 3,920,908 | 22,402,691 | 53,414 | 63,533 | 116,947 | 18,481,783 | 3,920,908 | 22,402,691 | 2,495 | 91.3% | 80.7% |
| 201101 | 36,106 | 62,830 | 23,729,155 | 12,347,945 | 1,982,330 | 14,330,275 | 47,304 | 56,029 | 103,333 | 12,347,945 | 1,982,330 | 14,330,275 | 2,312 | 60.4% | 78.7% |
| 201102 | 35,633 | 61,962 | 23,443,361 | 13,806,768 | 2,067,893 | 15,874,661 | 45,123 | 51,914 | 97,037 | 13,806,768 | 2,067,893 | 15,874,661 | 2,284 | 67.7% | 78.8% |
| 201103 | 35,234 | 61,321 | 23,277,543 | 14,539,986 | 2,739,738 | 17,279,724 | 50,188 | 57,375 | 107,563 | 14,539,986 | 2,739,738 | 17,279,724 | 2,319 | 74.2% | 78.6% |
| 201104 | 34,779 | 60,599 | 23,102,061 | 14,841,464 | 2,617,825 | 17,459,289 | 46,460 | 53,004 | 99,464 | 14,841,464 | 2,617,825 | 17,459,289 | 2,106 | 75.6% | 78.7% |
| 201105 | 34,336 | 59,969 | 22,907,752 | 15,758,867 | 2,781,589 | 18,540,455 | 46,287 | 53,663 | 99,950 | 15,758,867 | 2,781,589 | 18,540,455 | 1,932 | 80.9% | 79.3% |
| 201106 | 34,015 | 59,406 | 22,794,906 | 16,627,982 | 3,063,134 | 19,691,116 | 46,472 | 52,343 | 98,815 | 16,629,604 | 3,063,134 | 19,692,738 | 1,056 | 86.4% | 79.8% |
| 201107 | 33,762 | 59,049 | 22,669,068 | 13,235,875 | 2,871,716 | 16,107,591 | 42,443 | 50,267 | 92,710 | 13,237,170 | 2,871,716 | 16,108,886 | 997 | 71.1% | 79.5% |
| 201108 | 33,426 | 58,605 | 22,527,145 | 15,990,093 | 3,227,476 | 19,217,569 | 48,590 | 53,070 | 101,660 | 15,991,657 | 3,227,476 | 19,219,133 | 787 | 85.3% | 79.3% |
| 201109 | 33,304 | 58,347 | 22,519,163 | 12,879,059 | 3,290,280 | 16,169,339 | 44,479 | 51,626 | 96,105 | 12,880,324 | 3,290,280 | 16,170,604 | 795 | 71.8% | 78.4% |
| 201110 | 33,246 | 58,240 | 22,398,740 | 14,798,279 | 3,266,182 | 18,064,462 | 45,352 | 53,218 | 98,570 | 14,801,197 | 3,266,182 | 18,067,379 | 812 | 80.7% | 77.8% |
| 201111 | 33,236 | 58,223 | 22,375,633 | 15,463,788 | 3,350,201 | 18,813,989 | 45,012 | 51,958 | 96,970 | 15,471,358 | 3,350,201 | 18,821,559 | 742 | 84.1% | 77.5% |
| 201112 | 33,361 | 58,330 | 22,326,750 | 17,365,946 | 3,603,597 | 20,969,543 | 44,970 | 55,249 | 100,219 | 17,377,963 | 3,603,948 | 20,981,911 | 1,288 | 94.0% | 77.6% |
| 201201 | 33,335 | 58,172 | 22,036,173 | 10,912,484 | 2,030,032 | 12,942,516 | 43,739 | 47,921 | 91,660 | 10,927,257 | 2,030,228 | 12,957,485 | 1,270 | 58.8% | 77.5% |
| 201202 | 33,326 | 58,133 | 21,996,526 | 12,588,943 | 2,255,685 | 14,844,627 | 42,623 | 46,553 | 89,176 | 12,617,367 | 2,255,901 | 14,873,268 | 1,255 | 67.6% | 77.6% |
| 201203 | 33,379 | 58,224 | 22,013,831 | 12,906,551 | 2,553,056 | 15,459,608 | 44,170 | 50,378 | 94,548 | 13,153,431 | 2,553,544 | 15,706,975 | 658 | 71.4% | 77.4% |
| 201204 | 33,321 | 58,193 | 21,898,631 | 12,881,538 | 2,605,179 | 15,486,717 | 42,014 | 47,124 | 89,138 | 12,958,551 | 2,605,683 | 15,564,235 | 665 | 71.1% | 77.0% |
| 201205 | 33,614 | 59,069 | 22,163,330 | 14,611,897 | 2,890,023 | 17,501,920 | 43,432 | 49,232 | 92,664 | 14,733,435 | 2,890,866 | 17,624,301 | 649 | 79.5% | 76.9% |
| 201206 | 33,513 | 58,880 | 22,143,014 | 15,123,225 | 2,587,997 | 17,711,222 | 40,419 | 46,496 | 86,915 | 15,441,669 | 2,588,994 | 18,030,663 | 602 | 81.4% | 76.4% |
| 201207 | 33,654 | 59,298 | 22,281,709 | 13,736,957 | 2,858,971 | 16,595,928 | 40,812 | 48,267 | 89,079 | 13,982,868 | 2,860,358 | 16,843,226 | 600 | 75.6% | 76.8% |
| 201208 | 33,703 | 59,542 | 22,322,736 | 15,914,425 | 3,147,245 | 19,061,670 | 45,144 | 49,723 | 94,867 | 16,357,608 | 3,149,380 | 19,506,987 | 592 | 87.4% | 77.0% |
| 201209 | 33,788 | 59,556 | 22,271,227 | 14,634,696 | 2,870,142 | 17,504,837 | 39,293 | 47,202 | 86,495 | 15,231,787 | 2,874,609 | 18,106,396 | 590 | 81.3% | 77.8% |
| 201210 | 33,789 | 59,266 | 22,163,845 | 15,741,912 | 3,292,852 | 19,034,764 | 46,578 | 53,686 | 100,264 | 17,186,024 | 3,302,033 | 20,488,057 | 360 | 92.4% | 78.8% |
| 201211 | 33,956 | 59,561 | 22,277,659 | 13,520,923 | 3,139,372 | 16,660,295 | 41,406 | 51,592 | 92,998 | 16,278,714 | 3,185,012 | 19,463,727 | 358 | 87.4% | 79.0% |
| 201212 | 34,017 | 59,660 | 22,338,813 | 6,285,093 | 2,457,593 | 8,742,685 | 25,486 | 38,771 | 64,257 | 16,805,068 | 3,336,377 | 20,141,445 | 570 | 90.2% | 78.7% |

Exhibit S - Data Requirements

HMO Colorado, Inc. Small Group

EXPERIENCE SUMMARY - GRANDFATHERED - SMALL GROUP HMO AND PPO COMBINED

| YearMo | Contracts | Members | Premium | Incurred & Paid Claims | | | Incurred & Paid Claim Counts | | | Estimated Incurred Claims | | | Capitation | Ratio | Rolling 12 Loss Ratio |
|--------|-----------|---------|------------|------------------------|-----------|------------|------------------------------|--------|---------|---------------------------|-----------|------------|------------|--------|--------------------------|
| | | | | Medical | Rx | Total | Medical | Rx | Total | Medical | Rx | Total | | | |
| 201001 | 39,418 | 68,714 | 24,068,040 | 14,774,303 | 1,982,854 | 16,757,157 | 49,503 | 69,845 | 119,348 | 14,774,303 | 1,982,854 | 16,757,157 | 3,084 | 69.6% | |
| 201002 | 39,198 | 68,273 | 23,989,555 | 13,830,729 | 2,112,197 | 15,942,926 | 48,434 | 65,795 | 114,229 | 13,830,729 | 2,112,197 | 15,942,926 | 3,026 | 66.5% | |
| 201003 | 39,089 | 68,119 | 23,976,688 | 15,454,475 | 2,641,790 | 18,096,265 | 53,979 | 72,635 | 126,614 | 15,454,475 | 2,641,790 | 18,096,265 | 2,967 | 75.5% | |
| 201004 | 38,835 | 67,690 | 23,921,397 | 14,986,275 | 2,691,074 | 17,677,350 | 52,379 | 68,765 | 121,144 | 14,986,275 | 2,691,074 | 17,677,350 | 3,013 | 73.9% | |
| 201005 | 38,332 | 66,782 | 23,726,661 | 14,622,708 | 2,776,791 | 17,399,499 | 48,238 | 66,432 | 114,670 | 14,622,708 | 2,776,791 | 17,399,499 | 2,971 | 73.3% | |
| 201006 | 38,106 | 66,444 | 23,703,781 | 15,871,588 | 3,031,635 | 18,903,223 | 50,986 | 67,692 | 118,678 | 15,871,588 | 3,031,635 | 18,903,223 | 2,988 | 79.8% | |
| 201007 | 37,529 | 65,388 | 23,412,538 | 14,400,763 | 2,947,010 | 17,347,773 | 47,702 | 64,189 | 111,891 | 14,400,763 | 2,947,010 | 17,347,773 | 2,840 | 74.1% | |
| 201008 | 36,824 | 64,197 | 23,084,979 | 16,895,268 | 3,167,825 | 20,063,093 | 50,145 | 71,325 | 121,470 | 16,895,268 | 3,167,825 | 20,063,093 | 2,882 | 86.9% | |
| 201009 | 36,036 | 62,979 | 22,733,915 | 16,374,690 | 2,813,535 | 19,188,225 | 47,776 | 55,345 | 103,121 | 16,374,690 | 2,813,535 | 19,188,225 | 2,834 | 84.4% | |
| 201010 | 35,251 | 61,655 | 22,316,497 | 16,860,448 | 2,862,910 | 19,723,358 | 49,741 | 55,548 | 105,289 | 16,860,448 | 2,862,910 | 19,723,358 | 2,732 | 88.4% | |
| 201011 | 33,777 | 59,145 | 21,580,217 | 16,440,217 | 3,090,298 | 19,530,515 | 47,618 | 53,833 | 101,451 | 16,440,217 | 3,090,298 | 19,530,515 | 2,414 | 90.5% | |
| 201012 | 31,995 | 55,963 | 20,793,023 | 16,471,392 | 3,377,392 | 19,848,783 | 46,585 | 54,425 | 101,010 | 16,471,392 | 3,377,392 | 19,848,783 | 2,388 | 95.5% | 79.5% |
| 201101 | 28,971 | 50,499 | 19,087,602 | 10,203,433 | 1,505,407 | 11,708,840 | 38,196 | 44,725 | 82,921 | 10,203,433 | 1,505,407 | 11,708,840 | 2,195 | 61.4% | 79.1% |
| 201102 | 28,171 | 49,013 | 18,580,847 | 11,271,376 | 1,578,725 | 12,850,102 | 35,958 | 40,770 | 76,728 | 11,271,376 | 1,578,725 | 12,850,102 | 2,155 | 69.2% | 79.6% |
| 201103 | 27,337 | 47,597 | 18,143,477 | 11,709,079 | 2,069,279 | 13,778,358 | 39,270 | 44,307 | 83,577 | 11,709,079 | 2,069,279 | 13,778,358 | 2,151 | 76.0% | 79.7% |
| 201104 | 25,927 | 45,215 | 17,294,185 | 11,459,878 | 1,903,153 | 13,363,030 | 34,666 | 39,180 | 73,846 | 11,459,878 | 1,903,153 | 13,363,030 | 1,947 | 77.3% | 80.1% |
| 201105 | 24,441 | 42,793 | 16,436,940 | 12,111,045 | 1,977,583 | 14,088,629 | 32,994 | 37,937 | 70,931 | 12,111,045 | 1,977,583 | 14,088,629 | 1,728 | 85.7% | 81.1% |
| 201106 | 22,814 | 40,007 | 15,478,086 | 11,734,588 | 2,042,457 | 13,777,045 | 31,860 | 34,496 | 66,356 | 11,735,732 | 2,042,457 | 13,778,189 | 945 | 89.0% | 81.7% |
| 201107 | 21,658 | 38,145 | 14,772,263 | 9,506,228 | 1,896,197 | 11,402,425 | 28,136 | 32,090 | 60,226 | 9,507,155 | 1,896,197 | 11,403,352 | 856 | 77.2% | 82.2% |
| 201108 | 20,432 | 36,154 | 14,062,314 | 10,748,752 | 2,110,737 | 12,859,489 | 30,489 | 32,443 | 62,932 | 10,749,803 | 2,110,737 | 12,860,540 | 659 | 91.5% | 82.3% |
| 201109 | 19,323 | 34,262 | 13,431,757 | 8,106,438 | 1,979,710 | 10,086,148 | 26,805 | 29,992 | 56,797 | 8,107,231 | 1,979,710 | 10,086,941 | 637 | 75.1% | 81.6% |
| 201110 | 18,498 | 32,961 | 12,913,772 | 9,611,888 | 1,966,156 | 11,578,045 | 26,623 | 30,133 | 56,756 | 9,613,780 | 1,966,156 | 11,579,937 | 650 | 89.7% | 81.4% |
| 201111 | 17,392 | 31,217 | 12,300,986 | 9,051,663 | 1,929,008 | 10,980,672 | 25,010 | 27,834 | 52,844 | 9,056,076 | 1,929,008 | 10,985,085 | 604 | 89.3% | 80.9% |
| 201112 | 15,401 | 27,682 | 11,018,164 | 8,810,977 | 1,953,948 | 10,764,926 | 22,356 | 26,939 | 49,295 | 8,817,051 | 1,954,138 | 10,771,189 | 866 | 97.8% | 80.2% |
| 201201 | 13,857 | 24,702 | 9,864,133 | 4,747,893 | 970,573 | 5,718,466 | 19,597 | 21,184 | 40,781 | 4,754,245 | 970,667 | 5,724,911 | 818 | 58.0% | 81.1% |
| 201202 | 13,505 | 24,017 | 9,605,105 | 5,842,265 | 1,057,682 | 6,899,946 | 18,055 | 19,809 | 37,864 | 5,855,426 | 1,057,782 | 6,913,208 | 809 | 72.0% | 81.9% |
| 201203 | 13,176 | 23,406 | 9,409,286 | 6,107,800 | 1,138,426 | 7,246,225 | 18,597 | 21,142 | 39,739 | 6,223,093 | 1,138,636 | 7,361,728 | 438 | 78.2% | 82.3% |
| 201204 | 12,766 | 22,669 | 9,090,912 | 5,927,330 | 1,132,292 | 7,059,622 | 17,145 | 19,274 | 36,419 | 5,962,283 | 1,132,507 | 7,094,790 | 435 | 78.0% | 82.7% |
| 201205 | 12,758 | 22,958 | 9,174,911 | 6,045,020 | 1,233,838 | 7,278,859 | 17,903 | 19,820 | 37,723 | 6,094,958 | 1,234,193 | 7,329,151 | 422 | 79.9% | 82.1% |
| 201206 | 12,113 | 21,738 | 8,697,034 | 5,516,101 | 1,106,100 | 6,622,201 | 15,632 | 17,947 | 33,579 | 5,631,493 | 1,106,518 | 6,738,011 | 350 | 77.5% | 81.0% |
| 201207 | 11,120 | 19,898 | 7,991,202 | 4,827,572 | 1,174,647 | 6,002,219 | 14,395 | 17,159 | 31,554 | 4,913,166 | 1,175,210 | 6,088,376 | 344 | 76.2% | 81.2% |
| 201208 | 10,590 | 18,922 | 7,582,841 | 5,768,023 | 1,120,394 | 6,888,417 | 15,123 | 16,618 | 31,741 | 5,928,531 | 1,121,138 | 7,049,668 | 241 | 93.0% | 80.7% |
| 201209 | 10,438 | 18,606 | 7,451,345 | 5,266,303 | 1,038,530 | 6,304,833 | 12,861 | 15,827 | 28,688 | 5,480,417 | 1,040,112 | 6,520,529 | 238 | 87.5% | 81.8% |
| 201210 | 10,132 | 18,045 | 7,266,678 | 5,347,094 | 1,121,717 | 6,468,811 | 14,967 | 17,201 | 32,168 | 5,835,838 | 1,124,851 | 6,960,689 | 153 | 95.8% | 81.8% |
| 201211 | 9,792 | 17,412 | 7,065,560 | 4,947,009 | 1,092,641 | 6,039,650 | 13,310 | 16,122 | 29,432 | 5,956,547 | 1,107,666 | 7,064,213 | 144 | 100.0% | 82.2% |
| 201212 | 9,161 | 16,307 | 6,748,683 | 2,032,329 | 723,385 | 2,755,714 | 7,781 | 11,268 | 19,049 | 5,428,616 | 982,278 | 6,410,894 | 210 | 95.0% | 81.3% |

Exhibit S - Data Requirements

HMO Colorado, Inc. Small Group

EXPERIENCE SUMMARY - NON-GRANDFATHERED - SMALL GROUP HMO AND PPO COMBINED

| YearMo | Contracts | Members | Premium | Incurred & Paid Claims | | | Incurred & Paid Claim Counts | | | Estimated Incurred Claims | | | Capitation | Ratio | Rolling 12 Loss Ratio |
|--------|-----------|---------|------------|------------------------|-----------|------------|------------------------------|--------|--------|---------------------------|-----------|------------|------------|--------|--------------------------|
| | | | | Medical | Rx | Total | Medical | Rx | Total | Medical | Rx | Total | | | |
| 201001 | 606 | 1,004 | 484,705 | 3,923,193 | 164,140 | 4,087,334 | 1,244 | 1,978 | 3,222 | 3,923,193 | 164,140 | 4,087,334 | 98 | 843.3% | |
| 201002 | 594 | 985 | 483,499 | 269,474 | 162,847 | 432,321 | 1,091 | 1,847 | 2,938 | 269,474 | 162,847 | 432,321 | 88 | 89.4% | |
| 201003 | 596 | 977 | 486,572 | 289,327 | 177,101 | 466,427 | 1,231 | 1,929 | 3,160 | 289,327 | 177,101 | 466,427 | 88 | 95.9% | |
| 201004 | 581 | 951 | 476,685 | 356,306 | 167,337 | 523,643 | 1,171 | 1,814 | 2,985 | 356,306 | 167,337 | 523,643 | 79 | 109.9% | |
| 201005 | 561 | 934 | 467,976 | 305,684 | 147,476 | 453,160 | 1,005 | 1,608 | 2,613 | 305,684 | 147,476 | 453,160 | 77 | 96.9% | |
| 201006 | 555 | 929 | 470,217 | 545,982 | 151,502 | 697,483 | 1,231 | 1,824 | 3,055 | 545,982 | 151,502 | 697,483 | 92 | 148.4% | |
| 201007 | 851 | 1,477 | 697,823 | 503,549 | 175,580 | 679,129 | 1,387 | 2,393 | 3,780 | 503,549 | 175,580 | 679,129 | 89 | 97.3% | |
| 201008 | 1,224 | 2,087 | 947,067 | 608,162 | 240,476 | 848,638 | 2,025 | 3,127 | 5,152 | 608,162 | 240,476 | 848,638 | 88 | 89.6% | |
| 201009 | 1,502 | 2,541 | 1,147,784 | 500,160 | 231,875 | 732,035 | 2,194 | 3,028 | 5,222 | 500,160 | 231,875 | 732,035 | 89 | 63.8% | |
| 201010 | 2,335 | 3,954 | 1,656,912 | 840,044 | 278,193 | 1,118,238 | 3,165 | 3,882 | 7,047 | 840,044 | 278,193 | 1,118,238 | 90 | 67.5% | |
| 201011 | 3,644 | 6,256 | 2,492,710 | 1,175,778 | 375,785 | 1,551,562 | 4,705 | 5,742 | 10,447 | 1,175,778 | 375,785 | 1,551,562 | 99 | 62.2% | |
| 201012 | 5,639 | 9,578 | 3,735,635 | 2,010,391 | 543,516 | 2,553,907 | 6,829 | 9,108 | 15,937 | 2,010,391 | 543,516 | 2,553,907 | 107 | 68.4% | 104.4% |
| 201101 | 7,134 | 12,331 | 4,641,553 | 2,144,512 | 476,923 | 2,621,435 | 9,108 | 11,304 | 20,412 | 2,144,512 | 476,923 | 2,621,435 | 117 | 56.5% | 71.6% |
| 201102 | 7,462 | 12,949 | 4,862,515 | 2,535,391 | 489,168 | 3,024,559 | 9,165 | 11,144 | 20,309 | 2,535,391 | 489,168 | 3,024,559 | 129 | 62.2% | 69.2% |
| 201103 | 7,897 | 13,724 | 5,134,066 | 2,830,907 | 670,459 | 3,501,366 | 10,918 | 13,068 | 23,986 | 2,830,907 | 670,459 | 3,501,366 | 167 | 68.2% | 68.5% |
| 201104 | 8,852 | 15,384 | 5,807,876 | 3,381,586 | 714,672 | 4,096,258 | 11,794 | 13,824 | 25,618 | 3,381,586 | 714,672 | 4,096,258 | 158 | 70.5% | 68.2% |
| 201105 | 9,895 | 17,176 | 6,470,812 | 3,647,821 | 804,006 | 4,451,827 | 13,293 | 15,726 | 29,019 | 3,647,821 | 804,006 | 4,451,827 | 205 | 68.8% | 68.0% |
| 201106 | 11,201 | 19,399 | 7,316,821 | 4,893,394 | 1,020,677 | 5,914,071 | 14,612 | 17,847 | 32,459 | 4,893,394 | 1,020,677 | 5,914,548 | 111 | 80.8% | 69.2% |
| 201107 | 12,104 | 20,904 | 7,896,805 | 3,729,647 | 975,519 | 4,705,166 | 14,307 | 18,177 | 32,484 | 3,730,015 | 975,519 | 4,705,534 | 141 | 59.6% | 67.4% |
| 201108 | 12,994 | 22,451 | 8,464,831 | 5,241,341 | 1,116,739 | 6,358,080 | 18,101 | 20,627 | 38,728 | 5,241,854 | 1,116,739 | 6,358,593 | 128 | 75.1% | 68.1% |
| 201109 | 13,981 | 24,085 | 9,087,405 | 4,772,621 | 1,310,570 | 6,083,191 | 17,674 | 21,634 | 39,308 | 4,773,093 | 1,310,570 | 6,083,663 | 159 | 66.9% | 68.1% |
| 201110 | 14,748 | 25,279 | 9,484,968 | 5,186,391 | 1,300,026 | 6,486,417 | 18,729 | 23,085 | 41,814 | 5,187,416 | 1,300,026 | 6,487,442 | 162 | 68.4% | 68.1% |
| 201111 | 15,845 | 27,006 | 10,074,647 | 6,412,125 | 1,421,193 | 7,833,317 | 20,002 | 24,124 | 44,126 | 6,415,281 | 1,421,193 | 7,836,474 | 138 | 77.8% | 69.5% |
| 201112 | 17,960 | 30,648 | 11,308,586 | 8,554,969 | 1,649,648 | 10,204,617 | 22,614 | 28,310 | 50,924 | 8,560,912 | 1,649,810 | 10,210,722 | 422 | 90.3% | 72.1% |
| 201201 | 19,478 | 33,470 | 12,172,040 | 6,164,591 | 1,059,459 | 7,224,050 | 24,142 | 26,737 | 50,879 | 6,173,012 | 1,059,562 | 7,232,574 | 452 | 59.4% | 71.3% |
| 201202 | 19,821 | 34,115 | 12,391,421 | 6,746,678 | 1,198,003 | 7,944,681 | 24,568 | 26,744 | 51,312 | 6,761,941 | 1,198,119 | 7,960,061 | 446 | 64.2% | 70.9% |
| 201203 | 20,203 | 34,819 | 12,604,545 | 6,798,751 | 1,414,631 | 8,213,382 | 25,573 | 29,236 | 54,809 | 6,930,338 | 1,414,908 | 8,345,246 | 220 | 66.2% | 70.5% |
| 201204 | 20,555 | 35,523 | 12,807,719 | 6,954,208 | 1,472,887 | 8,427,095 | 24,869 | 27,850 | 52,719 | 6,996,269 | 1,473,176 | 8,469,445 | 230 | 66.1% | 70.0% |
| 201205 | 20,856 | 36,111 | 12,988,419 | 8,566,877 | 1,656,185 | 10,223,062 | 25,529 | 29,412 | 54,941 | 8,638,477 | 1,656,673 | 10,295,150 | 227 | 79.3% | 71.0% |
| 201206 | 21,401 | 37,142 | 13,445,980 | 9,607,124 | 1,481,896 | 11,089,020 | 24,787 | 28,549 | 53,336 | 9,810,177 | 1,482,476 | 11,292,653 | 252 | 84.0% | 71.8% |
| 201207 | 22,534 | 39,400 | 14,290,508 | 8,909,386 | 1,684,324 | 10,593,710 | 26,417 | 31,108 | 57,525 | 9,069,702 | 1,685,148 | 10,754,850 | 256 | 75.3% | 72.8% |
| 201208 | 23,113 | 40,620 | 14,739,895 | 10,146,402 | 2,026,851 | 12,173,253 | 30,021 | 33,105 | 63,126 | 10,429,077 | 2,028,242 | 12,457,319 | 352 | 84.5% | 73.9% |
| 201209 | 23,350 | 40,950 | 14,819,882 | 9,368,393 | 1,831,612 | 11,200,005 | 26,432 | 31,375 | 57,807 | 9,751,370 | 1,834,497 | 11,585,867 | 352 | 78.2% | 74.7% |
| 201210 | 23,657 | 41,221 | 14,897,167 | 10,394,819 | 2,171,135 | 12,565,953 | 31,611 | 36,485 | 68,096 | 11,350,186 | 2,177,182 | 13,527,368 | 208 | 90.8% | 76.6% |
| 201211 | 24,164 | 42,149 | 15,212,099 | 8,573,915 | 2,046,731 | 10,620,646 | 28,096 | 35,470 | 63,566 | 10,322,167 | 2,077,346 | 12,399,514 | 214 | 81.5% | 77.0% |
| 201212 | 24,856 | 43,353 | 15,590,130 | 4,252,764 | 1,734,208 | 5,986,972 | 17,705 | 27,503 | 45,208 | 11,376,452 | 2,354,099 | 13,730,551 | 360 | 88.1% | 77.2% |

Exhibit S - Data Requirements

HMO Colorado, Inc. Small Group

THREE-YEAR EXPERIENCE HISTORY - SMALL GROUP HMO AND PPO COMBINED - Medical and Pharmacy combined

| Time Period | Gross | | | | | | | | | |
|---|----------------------|------------------------------------|-----------------------------|-----------------------|--------------|----------------|--------------|-----------------|---------------|-----------------------|
| | Earned Premium | Incurred and Paid Cost of Care (*) | Outstanding Claim Liability | Fully Incurred Claims | Gross Margin | Loss Ratio (%) | Claim Counts | Contract Months | Member Months | Average Member Months |
| 2010 | 290,854,877 | 234,622,045 | (0) | 234,657,266 | 56,197,610 | 80.7% | 1,424,473 | 463,078 | 807,021 | 67,252 |
| 2011 | 274,071,278 | 212,518,013 | 28,600 | 212,564,044 | 61,507,234 | 77.6% | 1,192,396 | 410,437 | 716,881 | 59,740 |
| 2012 | 265,907,494 | 191,546,790 | 17,759,976 | 209,314,934 | 56,592,560 | 78.7% | 1,072,061 | 403,395 | 707,554 | 58,963 |
| Experience Period: Nov 2011 - Oct 2012 | 265,993,406 | 205,927,341 | 3,577,723 | 209,514,335 | 56,479,070 | 78.8% | 1,111,995 | 402,019 | 704,886 | 58,741 |
| Time Period | Per Member Per Month | | | | | | | | | |
| | Earned Premium | Incurred and Paid Cost of Care (*) | Outstanding Claim Liability | Fully Incurred Claims | Gross Margin | Loss Ratio (%) | Claim Counts | Contract Months | Member Months | Average Member Months |
| 2010 | 360.41 | 290.73 | (0.00) | 290.77 | 69.64 | 80.7% | 1.77 | 463,078 | 807,021 | 67,252 |
| 2011 | 382.31 | 296.45 | 0.04 | 296.51 | 85.80 | 77.6% | 1.66 | 410,437 | 716,881 | 59,740 |
| 2012 | 375.81 | 270.72 | 25.10 | 295.83 | 79.98 | 78.7% | 1.52 | 403,395 | 707,554 | 58,963 |
| Experience Period: Nov 2011 - Oct 2012 | 377.36 | 292.14 | 5.08 | 297.23 | 80.13 | 78.8% | 1.58 | 402,019 | 704,886 | 58,741 |

NOTES:

(*) Claim payments through December 31, 2012

Exhibit S - Data Requirements

HMO Colorado, Inc. Small Group

THREE-YEAR EXPERIENCE HISTORY - SMALL GROUP HMO AND PPO COMBINED - Pharmacy Only

| Time Period | Gross | | | | | | | | | |
|---|----------------------|------------------------------------|-----------------------------|-----------------------|--------------|-----------------|--------------|-----------------|---------------|-----------------------|
| | Earned Premium | Incurred and Paid Cost of Care (*) | Outstanding Claim Liability | Fully Incurred Claims | Gross Margin | Loss Ratio (**) | Claim Counts | Contract Months | Member Months | Average Member Months |
| 2010 | 290,854,877 | 36,311,139 | - | 36,311,139 | 254,543,738 | 12.5% | 804,109 | 463,078 | 807,021 | 67,252 |
| 2011 | 274,071,278 | 34,861,961 | 352 | 34,862,313 | 239,208,965 | 12.7% | 639,716 | 410,437 | 716,881 | 59,740 |
| 2012 | 265,907,494 | 32,688,146 | 944,839 | 33,632,986 | 232,274,508 | 12.6% | 576,945 | 403,395 | 707,554 | 58,963 |
| Experience Period: Nov 2011 - Oct 2012 | 265,993,406 | 34,044,979 | 20,766 | 34,065,746 | 231,927,660 | 12.8% | 593,789 | 402,019 | 704,886 | 58,741 |
| Time Period | Per Member Per Month | | | | | | | | | |
| | Earned Premium | Incurred and Paid Cost of Care (*) | Outstanding Claim Liability | Fully Incurred Claims | Gross Margin | Loss Ratio (**) | Claim Counts | Contract Months | Member Months | Average Member Months |
| 2010 | 360.41 | 44.99 | - | 44.99 | 315.41 | 12.5% | 1.00 | 463,078 | 807,021 | 67,252 |
| 2011 | 382.31 | 48.63 | 0.00 | 48.63 | 333.68 | 12.7% | 0.89 | 410,437 | 716,881 | 59,740 |
| 2012 | 375.81 | 46.20 | 1.34 | 47.53 | 328.28 | 12.6% | 0.82 | 403,395 | 707,554 | 58,963 |
| Experience Period: Nov 2011 - Oct 2012 | 377.36 | 48.30 | 0.03 | 48.33 | 329.03 | 12.8% | 0.84 | 402,019 | 704,886 | 58,741 |

NOTES:

(*) Claim payments through December 31, 2012

(**) Premium includes medical and pharmacy.

Exhibit T - Trend Exhibit**HMO Colorado, Inc.
Small Group****Cost and Utilization Trend Assumptions**

| Proposed Trends Effective Jan 1, 2014 | | | | | |
|--|---------------|-------------|-------|-----------|-------|
| Category | Medical Trend | | | Insurance | Total |
| | Contractual | Utilization | Other | Trend | |
| Inpatient Hospital | 4.7% | 0.3% | 4.8% | 0.5% | 10.6% |
| Outpatient Hospital | 4.8% | 2.6% | 3.5% | 0.5% | 11.9% |
| Physician | 3.7% | 0.6% | 2.6% | 0.5% | 7.6% |
| Prescription Drug | 6.1% | 0.5% | 2.0% | 2.5% | 11.4% |
| Total Proposed Trend | | | | | 10.1% |
| Proposed Medical Trend | | | | | 9.9% |
| Proposed Prescription Drug Trend | | | | | 11.4% |

Exhibit T - Trend Exhibit

HMO Colorado, Inc.
Small Group

Trend Detail

Non-normalized Paid Claims, without IBNR
All Business
HMO Large Group

| Date | Members | Monthly Paid Pharmacy Claims | Monthly Paid Rx Claims PMPM | Monthly Paid Medical Claims | Monthly Paid Medical Claims PMPM | Monthly Paid Total Claims | Monthly Paid Total Claims PMPM |
|--------|---------|---------------------------------------|--------------------------------------|--------------------------------------|--|---------------------------------|---|
| 200701 | 40,005 | 1,294,381 | \$32.36 | 7,615,394 | \$190.36 | 8,909,775 | \$222.72 |
| 200702 | 39,885 | 1,200,801 | \$30.11 | 6,728,885 | \$168.71 | 7,929,687 | \$198.81 |
| 200703 | 40,519 | 1,319,085 | \$32.55 | 8,215,239 | \$202.75 | 9,534,324 | \$235.31 |
| 200704 | 40,840 | 1,338,438 | \$32.77 | 7,971,148 | \$195.18 | 9,309,585 | \$227.95 |
| 200705 | 40,833 | 1,382,058 | \$33.85 | 8,500,031 | \$208.16 | 9,882,089 | \$242.01 |
| 200706 | 40,932 | 1,339,889 | \$32.73 | 7,786,934 | \$190.24 | 9,126,823 | \$222.97 |
| 200707 | 41,361 | 1,233,266 | \$29.82 | 7,682,340 | \$185.74 | 8,915,606 | \$215.56 |
| 200708 | 41,735 | 1,447,282 | \$34.68 | 7,685,986 | \$184.16 | 9,133,268 | \$218.84 |
| 200709 | 42,109 | 1,254,369 | \$29.79 | 7,274,704 | \$172.76 | 8,529,073 | \$202.55 |
| 200710 | 42,079 | 1,452,713 | \$34.52 | 8,266,975 | \$196.46 | 9,719,688 | \$230.99 |
| 200711 | 42,112 | 1,405,511 | \$33.38 | 7,527,251 | \$178.74 | 8,932,763 | \$212.12 |
| 200712 | 42,408 | 1,412,947 | \$33.32 | 7,121,645 | \$167.93 | 8,534,592 | \$201.25 |
| 200801 | 43,070 | 1,544,393 | \$35.86 | 10,005,115 | \$232.30 | 11,549,508 | \$268.15 |
| 200802 | 42,789 | 1,501,551 | \$35.09 | 8,901,477 | \$208.03 | 10,403,028 | \$243.13 |
| 200803 | 42,395 | 1,516,249 | \$35.76 | 8,963,751 | \$211.43 | 10,480,000 | \$247.20 |
| 200804 | 42,310 | 1,555,708 | \$36.77 | 8,839,059 | \$208.91 | 10,394,767 | \$245.68 |
| 200805 | 42,139 | 1,581,159 | \$37.52 | 8,175,578 | \$194.02 | 9,756,737 | \$231.54 |
| 200806 | 41,967 | 1,540,485 | \$36.71 | 9,851,679 | \$234.75 | 11,392,163 | \$271.45 |
| 200807 | 40,448 | 1,506,255 | \$37.24 | 8,725,594 | \$215.73 | 10,231,849 | \$252.96 |
| 200808 | 40,437 | 1,415,951 | \$35.02 | 7,663,245 | \$189.51 | 9,079,196 | \$224.53 |
| 200809 | 39,854 | 1,467,765 | \$36.83 | 8,169,532 | \$204.99 | 9,637,297 | \$241.81 |
| 200810 | 39,984 | 1,476,354 | \$36.92 | 9,212,335 | \$230.40 | 10,688,689 | \$267.32 |
| 200811 | 39,752 | 1,374,737 | \$34.58 | 8,718,545 | \$219.32 | 10,093,281 | \$253.91 |
| 200812 | 39,146 | 1,627,468 | \$41.57 | 8,464,769 | \$216.24 | 10,092,238 | \$257.81 |
| 200901 | 39,332 | 1,570,864 | \$39.94 | 8,271,012 | \$210.29 | 9,841,876 | \$250.23 |
| 200902 | 39,379 | 1,452,582 | \$36.89 | 8,331,886 | \$211.58 | 9,784,468 | \$248.47 |
| 200903 | 38,897 | 1,685,368 | \$43.33 | 10,538,310 | \$270.93 | 12,223,678 | \$314.26 |
| 200904 | 38,206 | 1,600,560 | \$41.89 | 8,795,470 | \$230.21 | 10,396,030 | \$272.10 |
| 200905 | 38,293 | 1,536,451 | \$40.12 | 8,257,729 | \$215.65 | 9,794,180 | \$255.77 |
| 200906 | 38,342 | 1,558,795 | \$40.65 | 9,391,493 | \$244.94 | 10,950,288 | \$285.59 |
| 200907 | 37,077 | 1,587,168 | \$42.81 | 8,707,293 | \$234.85 | 10,294,461 | \$277.65 |
| 200908 | 37,161 | 1,549,872 | \$41.71 | 8,764,897 | \$235.87 | 10,314,769 | \$277.57 |
| 200909 | 37,361 | 1,561,333 | \$41.79 | 9,288,997 | \$248.63 | 10,850,330 | \$290.42 |
| 200910 | 36,995 | 1,629,806 | \$44.05 | 8,285,244 | \$223.95 | 9,915,050 | \$268.01 |
| 200911 | 36,813 | 1,514,735 | \$41.15 | 8,538,995 | \$231.96 | 10,053,730 | \$273.11 |
| 200912 | 37,259 | 1,677,892 | \$45.03 | 8,625,031 | \$231.49 | 10,302,923 | \$276.52 |
| 201001 | 34,773 | 1,342,857 | \$38.62 | 8,988,447 | \$258.49 | 10,331,303 | \$297.11 |
| 201002 | 34,663 | 1,327,682 | \$38.30 | 7,822,098 | \$225.66 | 9,149,780 | \$263.96 |
| 201003 | 34,522 | 1,502,661 | \$43.53 | 9,668,461 | \$280.07 | 11,171,122 | \$323.60 |
| 201004 | 33,167 | 1,377,797 | \$41.54 | 7,525,513 | \$226.90 | 8,903,310 | \$268.44 |
| 201005 | 33,151 | 1,399,051 | \$42.20 | 7,791,502 | \$235.03 | 9,190,552 | \$277.24 |
| 201006 | 32,808 | 1,406,659 | \$42.88 | 7,853,666 | \$239.38 | 9,260,325 | \$282.26 |
| 201007 | 33,237 | 1,443,194 | \$43.42 | 7,673,384 | \$230.87 | 9,116,578 | \$274.29 |
| 201008 | 32,804 | 1,493,203 | \$45.52 | 8,363,212 | \$254.95 | 9,856,415 | \$300.46 |
| 201009 | 32,484 | 1,372,223 | \$42.24 | 8,041,886 | \$247.56 | 9,414,109 | \$289.81 |
| 201010 | 31,924 | 1,358,724 | \$42.56 | 8,529,512 | \$267.18 | 9,888,236 | \$309.75 |
| 201011 | 31,952 | 1,406,734 | \$44.03 | 7,755,268 | \$242.72 | 9,162,002 | \$286.75 |
| 201012 | 32,000 | 1,499,683 | \$46.86 | 8,349,363 | \$260.91 | 9,849,046 | \$307.78 |
| 201101 | 30,028 | 1,378,045 | \$45.89 | 7,763,439 | \$258.54 | 9,141,484 | \$304.43 |
| 201102 | 29,666 | 1,307,657 | \$44.08 | 6,753,642 | \$227.65 | 8,061,299 | \$271.73 |
| 201103 | 29,146 | 1,482,523 | \$50.87 | 8,262,699 | \$283.49 | 9,745,222 | \$334.36 |
| 201104 | 28,502 | 1,395,526 | \$48.96 | 7,129,085 | \$250.12 | 8,524,611 | \$299.08 |
| 201105 | 28,389 | 1,413,164 | \$49.78 | 7,974,322 | \$280.89 | 9,387,486 | \$330.67 |
| 201106 | 28,304 | 1,480,460 | \$52.31 | 8,190,028 | \$289.36 | 9,670,488 | \$341.67 |
| 201107 | 28,255 | 1,369,697 | \$48.48 | 7,602,867 | \$269.08 | 8,972,564 | \$317.56 |
| 201108 | 28,496 | 1,495,179 | \$52.47 | 8,205,408 | \$287.95 | 9,700,586 | \$340.42 |
| 201109 | 28,443 | 1,418,088 | \$49.86 | 8,287,670 | \$291.37 | 9,705,758 | \$341.23 |
| 201110 | 28,068 | 1,346,723 | \$47.98 | 6,743,310 | \$240.25 | 8,090,032 | \$288.23 |
| 201111 | 28,138 | 1,423,002 | \$50.57 | 6,977,200 | \$247.97 | 8,400,203 | \$298.54 |
| 201112 | 27,971 | 1,478,074 | \$52.84 | 6,983,263 | \$249.66 | 8,461,337 | \$302.51 |
| 201201 | 25,656 | 1,321,641 | \$51.51 | 6,785,363 | \$264.47 | 8,107,005 | \$315.99 |
| 201202 | 25,487 | 1,309,065 | \$51.36 | 6,546,587 | \$256.86 | 7,855,652 | \$308.22 |
| 201203 | 25,360 | 1,412,026 | \$55.68 | 6,273,436 | \$247.37 | 7,685,463 | \$303.05 |
| 201204 | 25,244 | 1,266,120 | \$50.16 | 6,572,510 | \$260.36 | 7,838,630 | \$310.51 |
| 201205 | 24,927 | 1,269,523 | \$50.93 | 6,675,009 | \$267.79 | 7,944,532 | \$318.72 |
| 201206 | 25,029 | 1,262,466 | \$50.44 | 7,974,835 | \$318.62 | 9,237,301 | \$369.06 |
| 201207 | 24,850 | 1,263,059 | \$50.83 | 7,133,511 | \$287.06 | 8,396,570 | \$337.89 |
| 201208 | 24,563 | 1,255,112 | \$51.10 | 6,887,205 | \$280.39 | 8,142,317 | \$331.49 |
| 201209 | 24,717 | 1,162,838 | \$47.05 | 5,757,118 | \$232.92 | 6,919,957 | \$279.97 |
| 201210 | 24,507 | 1,300,733 | \$53.08 | 6,402,797 | \$261.27 | 7,703,530 | \$314.35 |
| 201211 | 23,940 | 1,195,058 | \$49.92 | 5,818,870 | \$243.06 | 7,013,928 | \$292.98 |
| 201212 | 24,115 | 1,198,715 | \$49.71 | 6,300,583 | \$261.28 | 7,499,298 | \$310.98 |

Exhibit T - Trend Exhibit

HMO Colorado, Inc.
Small Group

Trend Detail

Non-normalized Paid Claims, with IBNR
All Business
HMO Large Group

| Date | Members | Monthly Paid Pharmacy Claims | Monthly Paid Rx Claims PMPM | Monthly Paid Medical Claims | Monthly Paid Medical Claims PMPM | Monthly Paid Total Claims | Monthly Paid Total Claims PMPM | Rolling 12 Pharmacy PMPM | Rolling 12 Medical PMPM | Rolling 12 Combined PMPM | Rolling 12 Pharmacy Trend | Rolling 12 Medical Trend | Rolling 12 Combined Trend |
|--------|---------|------------------------------|-----------------------------|-----------------------------|----------------------------------|---------------------------|--------------------------------|--------------------------|-------------------------|--------------------------|---------------------------|--------------------------|---------------------------|
| 200701 | 40,005 | 1,294,381 | \$32.36 | 7,615,394 | \$190.36 | 8,909,775 | \$222.72 | | | | | | |
| 200702 | 39,885 | 1,200,801 | \$30.11 | 6,728,885 | \$168.71 | 7,929,687 | \$198.81 | | | | | | |
| 200703 | 40,519 | 1,319,085 | \$32.55 | 8,215,239 | \$202.75 | 9,534,324 | \$235.31 | | | | | | |
| 200704 | 40,840 | 1,338,438 | \$32.77 | 7,971,148 | \$195.18 | 9,309,585 | \$227.95 | | | | | | |
| 200705 | 40,833 | 1,382,058 | \$33.85 | 8,500,031 | \$208.16 | 9,882,089 | \$242.01 | | | | | | |
| 200706 | 40,932 | 1,339,889 | \$32.73 | 7,786,934 | \$190.24 | 9,126,823 | \$222.97 | | | | | | |
| 200707 | 41,361 | 1,233,266 | \$29.82 | 7,682,340 | \$185.74 | 8,915,606 | \$215.56 | | | | | | |
| 200708 | 41,735 | 1,447,282 | \$34.68 | 7,685,986 | \$184.16 | 9,133,268 | \$218.84 | | | | | | |
| 200709 | 42,109 | 1,254,369 | \$29.79 | 7,274,704 | \$172.76 | 8,529,073 | \$202.55 | | | | | | |
| 200710 | 42,079 | 1,452,713 | \$34.52 | 8,266,975 | \$196.46 | 9,719,688 | \$230.99 | | | | | | |
| 200711 | 42,112 | 1,405,511 | \$33.38 | 7,527,251 | \$178.74 | 8,932,763 | \$212.12 | | | | | | |
| 200712 | 42,408 | 1,412,947 | \$33.32 | 7,121,645 | \$167.93 | 8,534,592 | \$201.25 | \$32.50 | \$186.69 | \$219.19 | | | |
| 200801 | 43,070 | 1,544,393 | \$35.86 | 10,005,115 | \$232.30 | 11,549,508 | \$268.15 | \$32.80 | \$190.34 | \$223.14 | | | |
| 200802 | 42,789 | 1,501,551 | \$35.09 | 8,901,477 | \$208.03 | 10,403,028 | \$243.13 | \$33.21 | \$193.57 | \$226.78 | | | |
| 200803 | 42,395 | 1,516,249 | \$35.76 | 8,963,751 | \$211.43 | 10,480,000 | \$247.20 | \$33.48 | \$194.34 | \$227.82 | | | |
| 200804 | 42,310 | 1,555,708 | \$36.77 | 8,839,059 | \$208.91 | 10,394,767 | \$245.68 | \$33.81 | \$195.49 | \$229.31 | | | |
| 200805 | 42,139 | 1,581,159 | \$37.52 | 8,175,578 | \$194.02 | 9,756,737 | \$231.54 | \$34.12 | \$194.35 | \$228.47 | | | |
| 200806 | 41,967 | 1,540,485 | \$36.71 | 9,851,679 | \$234.75 | 11,392,163 | \$271.45 | \$34.45 | \$198.03 | \$232.47 | | | |
| 200807 | 40,448 | 1,506,255 | \$37.24 | 8,725,594 | \$215.73 | 10,231,849 | \$252.96 | \$35.05 | \$200.45 | \$235.50 | | | |
| 200808 | 40,437 | 1,415,951 | \$35.02 | 7,663,245 | \$189.51 | 9,079,196 | \$224.53 | \$35.08 | \$200.92 | \$235.99 | | | |
| 200809 | 39,854 | 1,467,765 | \$36.83 | 8,169,532 | \$204.99 | 9,637,297 | \$241.81 | \$35.66 | \$203.60 | \$239.26 | | | |
| 200810 | 39,984 | 1,476,354 | \$36.92 | 9,212,335 | \$230.40 | 10,688,689 | \$267.32 | \$35.85 | \$206.35 | \$242.20 | | | |
| 200811 | 39,752 | 1,374,737 | \$34.58 | 8,718,545 | \$219.32 | 10,093,281 | \$253.91 | \$35.96 | \$209.72 | \$245.68 | | | |
| 200812 | 39,146 | 1,627,468 | \$41.57 | 8,464,769 | \$216.24 | 10,092,238 | \$257.81 | \$36.63 | \$213.82 | \$250.46 | 12.7% | 14.5% | 14.3% |
| 200901 | 39,332 | 1,570,864 | \$39.94 | 8,271,012 | \$210.29 | 9,841,876 | \$250.23 | \$36.97 | \$211.92 | \$248.89 | 12.7% | 11.3% | 11.5% |
| 200902 | 39,379 | 1,452,582 | \$36.89 | 8,331,886 | \$211.58 | 9,784,468 | \$248.47 | \$37.13 | \$212.23 | \$249.36 | 11.8% | 9.6% | 10.0% |
| 200903 | 38,897 | 1,685,368 | \$43.33 | 10,538,310 | \$270.93 | 12,223,678 | \$314.26 | \$37.74 | \$217.02 | \$254.77 | 12.7% | 11.7% | 11.8% |
| 200904 | 38,206 | 1,600,560 | \$41.89 | 8,795,470 | \$230.21 | 10,396,030 | \$272.10 | \$38.16 | \$218.79 | \$256.95 | 12.9% | 11.9% | 12.1% |
| 200905 | 38,293 | 1,536,451 | \$40.12 | 8,257,729 | \$215.65 | 9,794,180 | \$255.77 | \$38.38 | \$220.73 | \$259.11 | 12.5% | 13.6% | 13.4% |
| 200906 | 38,342 | 1,558,795 | \$40.65 | 9,391,493 | \$244.94 | 10,950,288 | \$285.59 | \$38.71 | \$221.45 | \$260.16 | 12.4% | 11.8% | 11.9% |
| 200907 | 37,077 | 1,587,168 | \$42.81 | 8,707,293 | \$234.85 | 10,294,461 | \$277.65 | \$39.16 | \$223.00 | \$262.16 | 11.7% | 11.3% | 11.3% |
| 200908 | 37,161 | 1,549,872 | \$41.71 | 8,764,897 | \$235.87 | 10,314,769 | \$277.57 | \$39.72 | \$226.94 | \$266.66 | 13.3% | 13.0% | 13.0% |
| 200909 | 37,361 | 1,561,333 | \$41.79 | 9,288,997 | \$248.63 | 10,850,330 | \$290.42 | \$40.14 | \$230.58 | \$270.72 | 12.6% | 13.2% | 13.1% |
| 200910 | 36,995 | 1,629,806 | \$44.05 | 8,285,244 | \$223.95 | 9,915,050 | \$268.01 | \$40.73 | \$230.06 | \$270.80 | 13.6% | 11.5% | 11.8% |
| 200911 | 36,813 | 1,514,735 | \$41.15 | 8,538,995 | \$231.96 | 10,053,730 | \$273.11 | \$41.30 | \$231.15 | \$272.45 | 14.8% | 10.2% | 10.9% |
| 200912 | 37,259 | 1,677,892 | \$45.03 | 8,625,031 | \$231.49 | 10,302,923 | \$276.52 | \$41.58 | \$232.46 | \$274.05 | 13.5% | 8.7% | 9.4% |
| 201001 | 34,773 | 1,342,857 | \$38.62 | 8,988,447 | \$258.49 | 10,331,303 | \$297.11 | \$41.50 | \$236.41 | \$277.90 | 12.3% | 11.6% | 11.7% |
| 201002 | 34,663 | 1,327,682 | \$38.30 | 7,822,127 | \$225.66 | 9,149,809 | \$263.96 | \$41.66 | \$237.76 | \$279.42 | 12.2% | 12.0% | 12.1% |
| 201003 | 34,522 | 1,502,662 | \$43.53 | 9,668,559 | \$280.07 | 11,171,221 | \$323.60 | \$41.66 | \$238.15 | \$279.81 | 10.4% | 9.7% | 9.8% |
| 201004 | 33,167 | 1,377,797 | \$41.54 | 7,525,513 | \$226.90 | 8,903,310 | \$268.44 | \$41.63 | \$237.99 | \$279.62 | 9.1% | 8.8% | 8.8% |
| 201005 | 33,151 | 1,399,051 | \$42.20 | 7,791,773 | \$235.04 | 9,190,823 | \$277.24 | \$41.80 | \$239.75 | \$281.55 | 8.9% | 8.6% | 8.7% |
| 201006 | 32,808 | 1,406,666 | \$42.88 | 7,854,583 | \$239.41 | 9,261,249 | \$282.29 | \$41.99 | \$239.25 | \$281.24 | 8.5% | 8.0% | 8.1% |
| 201007 | 33,237 | 1,443,200 | \$43.42 | 7,674,214 | \$230.89 | 9,117,414 | \$274.31 | \$42.03 | \$238.98 | \$281.01 | 7.3% | 7.2% | 7.2% |
| 201008 | 32,804 | 1,493,210 | \$45.52 | 8,364,167 | \$254.97 | 9,857,376 | \$300.49 | \$42.33 | \$240.51 | \$282.85 | 6.6% | 6.0% | 6.1% |
| 201009 | 32,484 | 1,372,230 | \$42.24 | 8,043,058 | \$247.60 | 9,415,287 | \$289.84 | \$42.38 | \$240.34 | \$282.71 | 5.6% | 4.2% | 4.4% |
| 201010 | 31,924 | 1,358,730 | \$42.56 | 8,531,476 | \$267.25 | 9,890,206 | \$309.81 | \$42.24 | \$243.93 | \$286.17 | 3.7% | 6.0% | 5.7% |
| 201011 | 31,952 | 1,406,768 | \$44.03 | 7,757,432 | \$242.79 | 9,164,200 | \$286.81 | \$42.48 | \$244.94 | \$287.42 | 2.9% | 6.0% | 5.5% |
| 201012 | 32,000 | 1,499,719 | \$46.87 | 8,352,519 | \$261.01 | 9,852,238 | \$307.88 | \$42.59 | \$247.49 | \$290.09 | 2.4% | 6.5% | 5.9% |
| 201101 | 30,028 | 1,378,081 | \$45.89 | 7,765,436 | \$258.60 | 9,143,517 | \$304.50 | \$43.20 | \$247.37 | \$290.57 | 4.1% | 4.6% | 4.6% |
| 201102 | 29,666 | 1,307,691 | \$44.08 | 6,755,380 | \$227.71 | 8,063,070 | \$271.79 | \$43.70 | \$247.80 | \$291.51 | 4.9% | 4.2% | 4.3% |
| 201103 | 29,146 | 1,482,589 | \$50.87 | 8,265,174 | \$283.58 | 9,747,763 | \$334.45 | \$44.27 | \$247.62 | \$291.88 | 6.3% | 4.0% | 4.3% |
| 201104 | 28,502 | 1,395,589 | \$48.96 | 7,131,522 | \$250.21 | 8,527,112 | \$299.17 | \$44.86 | \$249.63 | \$294.49 | 7.8% | 4.9% | 5.3% |
| 201105 | 28,389 | 1,413,225 | \$49.78 | 7,977,562 | \$281.01 | 9,390,787 | \$330.79 | \$45.47 | \$253.32 | \$298.79 | 8.8% | 5.7% | 6.1% |
| 201106 | 28,304 | 1,480,476 | \$52.31 | 8,193,153 | \$289.47 | 9,673,630 | \$341.78 | \$46.23 | \$257.33 | \$303.56 | 10.1% | 7.6% | 7.9% |
| 201107 | 28,255 | 1,369,715 | \$48.48 | 7,605,531 | \$269.18 | 8,975,246 | \$317.66 | \$46.66 | \$260.67 | \$307.33 | 11.0% | 9.1% | 9.4% |
| 201108 | 28,496 | 1,495,217 | \$52.47 | 8,208,843 | \$288.07 | 9,704,060 | \$340.54 | \$47.22 | \$263.37 | \$310.59 | 11.5% | 9.5% | 9.8% |
| 201109 | 28,443 | 1,418,119 | \$49.86 | 8,292,660 | \$291.55 | 9,710,778 | \$341.41 | \$47.89 | \$267.07 | \$314.96 | 13.0% | 11.1% | 11.4% |
| 201110 | 28,068 | 1,346,757 | \$47.98 | 6,748,185 | \$240.42 | 8,094,942 | \$288.40 | \$48.38 | \$264.92 | \$313.30 | 14.5% | 8.6% | 9.5% |
| 201111 | 28,138 | 1,423,072 | \$50.58 | 6,983,421 | \$248.19 | 8,406,493 | \$298.76 | \$48.96 | \$265.60 | \$314.56 | 15.3% | 8.4% | 9.4% |
| 201112 | 27,971 | 1,478,199 | \$52.85 | 6,990,900 | \$249.94 | 8,469,100 | \$302.78 | \$49.47 | \$264.75 | \$314.22 | 16.1% | 7.0% | 8.3% |
| 201201 | 25,656 | 1,321,763 | \$51.52 | 6,794,394 | \$264.83 | 8,116,158 | \$316.34 | \$49.94 | \$265.30 | \$315.24 | 15.6% | 7.3% | 8.5% |
| 201202 | 25,487 | 1,309,159 | \$51.37 | 6,557,616 | \$257.29 | 7,866,774 | \$308.66 | \$50.57 | \$268.02 | \$318.59 | 15.7% | 8.2% | 9.3% |
| 201203 | 25,360 | 1,412,137 | \$55.68 | 6,285,256 | \$247.84 | 7,697,393 | \$303.52 | \$50.94 | \$265.11 | \$316.04 | 15.1% | 7.1% | 8.3% |
| 201204 | 25,244 | 1,266,245 | \$50.16 | 6,588,008 | \$260.97 | 7,854,253 | \$311.13 | \$51.05 | \$266.08 | \$317.13 | 13.8% | 6.6% | 7.7% |
| 201205 | 24,927 | 1,269,684 | \$50.94 | 6,696,562 | \$268.65 | 7,966,246 | \$319.59 | \$51.15 | \$264.98 | \$316.13 | 12.5% | 4.6% | 5.8% |
| 201206 | 25,029 | 1,262,678 | \$50.45 | 8,009,295 | \$320.00 | 9,271,973 | \$370.45 | \$50.99 | \$267.11 | \$318.10 | 10.3% | 3.8% | 4.8% |
| 201207 | 24,850 | 1,263,368 | \$50.84 | 7,182,670 | \$289.04 | 8,446,038 | \$339.88 | \$51.21 | \$268.64 | \$319.84 | 9.7% | 3.1% | 4.1% |
| 201208 | 24,563 | 1,255,596 | \$51.12 | 6,945,551 | \$282.77 | 8,201,147 | \$333.89 | \$51.08 | \$267.98 | \$319.06 | 8.2% | 1.8% | 2.7% |
| 201209 | 24,717 | 1,163,436 | \$47.07 | 5,932,786 | \$240.03 | 7,096,222 | \$287.10 | \$50.88 | \$263.59 | \$314.46 | 6.2% | -1.3% | -0.2% |
| 201210 | 24,507 | 1,301,585 | \$53.11 | 6,570,768 | \$268.12 | 7,872,352 | \$321.23 | \$51.32 | \$266.07 | \$317.39 | 6.1% | 0.4% | 1.3% |
| 201211 | 23,940 | 1,196,339 | \$49.97 | 6,163,407 | \$257.45 | 7,359,746 | \$307.42 | \$51.28 | \$267.05 | \$318.34 | 4.7% | 0.5% | 1.2% |
| 201212 | 24,115 | 1,209,139 | \$50.14 | 6,845,327 | \$283.87 | 8,054,466 | \$334.01 | \$51.04 | \$270.02 | \$321.06 | 3.2% | 2.0% | 2.2% |

Exhibit T - Trend Exhibit

HMO Colorado, Inc.
Small Group

Trend Detail

Large Claim and Age-Gender Adjusted Allowed Claims, with IBNR
Persistent Business (36 months or more of experience)
HMO Large Group

| Date | Members | Monthly Allowed Pharmacy Claims | Monthly Allowed Rx Claims PMPM | Monthly Allowed Medical Claims | Monthly Allowed Medical Claims PMPM | Monthly Allowed Total Claims | Monthly Allowed Total Claims PMPM | Rolling 12 Pharmacy PMPM | Rolling 12 Medical PMPM | Rolling 12 Combined PMPM | Rolling 12 Pharmacy Trend | Rolling 12 Medical Trend | Rolling 12 Combined Trend |
|--------|---------|--|---|---|---|---------------------------------------|---|--------------------------------|-------------------------------|--------------------------------|---------------------------------|--------------------------------|---------------------------------|
| 200701 | 15,036 | 644,926 | \$42.89 | 2,883,587 | \$191.78 | 3,528,513 | \$234.67 | | | | | | |
| 200702 | 15,158 | 642,138 | \$42.36 | 2,377,388 | \$156.84 | 3,019,526 | \$199.20 | | | | | | |
| 200703 | 15,121 | 697,845 | \$46.15 | 2,945,369 | \$194.78 | 3,643,214 | \$240.93 | | | | | | |
| 200704 | 15,049 | 655,341 | \$43.55 | 2,484,803 | \$165.12 | 3,140,144 | \$208.67 | | | | | | |
| 200705 | 15,019 | 707,064 | \$47.08 | 3,146,576 | \$209.51 | 3,853,640 | \$256.59 | | | | | | |
| 200706 | 15,165 | 676,135 | \$44.59 | 3,121,229 | \$205.82 | 3,797,365 | \$250.41 | | | | | | |
| 200707 | 15,912 | 631,111 | \$39.66 | 3,157,239 | \$198.42 | 3,788,350 | \$238.09 | | | | | | |
| 200708 | 16,015 | 719,724 | \$44.94 | 3,266,048 | \$203.94 | 3,985,772 | \$248.88 | | | | | | |
| 200709 | 16,107 | 664,154 | \$41.23 | 2,467,063 | \$153.16 | 3,131,217 | \$194.40 | | | | | | |
| 200710 | 16,229 | 727,598 | \$44.83 | 2,866,528 | \$176.63 | 3,594,126 | \$221.47 | | | | | | |
| 200711 | 16,329 | 714,835 | \$43.78 | 2,851,705 | \$174.64 | 3,566,540 | \$218.41 | | | | | | |
| 200712 | 16,508 | 728,741 | \$44.14 | 2,560,896 | \$155.13 | 3,289,637 | \$199.28 | \$43.75 | \$181.88 | \$225.63 | | | |
| 200801 | 16,400 | 758,496 | \$46.25 | 3,464,451 | \$211.24 | 4,222,947 | \$257.49 | \$44.04 | \$183.64 | \$227.67 | | | |
| 200802 | 16,369 | 720,166 | \$44.00 | 2,876,291 | \$175.71 | 3,596,456 | \$219.71 | \$44.17 | \$185.09 | \$229.25 | | | |
| 200803 | 16,353 | 754,746 | \$46.15 | 3,019,429 | \$184.64 | 3,774,175 | \$230.79 | \$44.18 | \$184.29 | \$228.46 | | | |
| 200804 | 16,520 | 755,475 | \$45.73 | 2,991,002 | \$181.06 | 3,746,478 | \$226.79 | \$44.36 | \$185.50 | \$229.86 | | | |
| 200805 | 16,641 | 755,130 | \$45.38 | 3,002,575 | \$180.44 | 3,757,706 | \$225.82 | \$44.24 | \$183.22 | \$227.46 | | | |
| 200806 | 16,784 | 744,879 | \$44.38 | 4,016,758 | \$239.33 | 4,761,637 | \$283.71 | \$44.22 | \$186.27 | \$230.49 | | | |
| 200807 | 16,860 | 761,701 | \$45.18 | 3,367,002 | \$199.70 | 4,128,704 | \$244.88 | \$44.67 | \$186.44 | \$231.11 | | | |
| 200808 | 16,946 | 702,554 | \$41.46 | 3,003,644 | \$177.24 | 3,706,199 | \$218.70 | \$44.38 | \$184.24 | \$228.61 | | | |
| 200809 | 17,156 | 738,969 | \$43.07 | 3,195,676 | \$186.27 | 3,934,645 | \$229.35 | \$44.52 | \$186.93 | \$231.44 | | | |
| 200810 | 17,025 | 748,487 | \$43.96 | 3,224,586 | \$189.40 | 3,973,073 | \$233.36 | \$44.45 | \$187.97 | \$232.42 | | | |
| 200811 | 17,049 | 688,479 | \$40.38 | 3,068,929 | \$180.01 | 3,757,408 | \$220.39 | \$44.15 | \$188.38 | \$232.53 | | | |
| 200812 | 16,947 | 816,487 | \$48.18 | 3,658,756 | \$215.90 | 4,475,243 | \$264.08 | \$44.49 | \$193.43 | \$237.92 | 1.7% | 6.4% | 5.5% |
| 200901 | 17,005 | 782,628 | \$46.02 | 3,521,212 | \$207.07 | 4,303,840 | \$253.10 | \$44.48 | \$193.13 | \$237.61 | 1.0% | 5.2% | 4.4% |
| 200902 | 17,029 | 739,954 | \$43.45 | 3,344,093 | \$196.38 | 4,084,047 | \$239.83 | \$44.43 | \$194.81 | \$239.25 | 0.6% | 5.3% | 4.4% |
| 200903 | 17,061 | 864,111 | \$50.65 | 3,335,609 | \$195.51 | 4,199,721 | \$246.16 | \$44.82 | \$195.69 | \$240.51 | 1.4% | 6.2% | 5.3% |
| 200904 | 17,023 | 827,975 | \$48.64 | 3,781,279 | \$222.13 | 4,609,254 | \$270.76 | \$45.06 | \$199.09 | \$244.15 | 1.6% | 7.3% | 6.2% |
| 200905 | 17,172 | 807,574 | \$47.03 | 3,620,631 | \$210.85 | 4,428,205 | \$257.87 | \$45.20 | \$201.60 | \$246.80 | 2.2% | 10.0% | 8.5% |
| 200906 | 17,291 | 811,612 | \$46.94 | 3,826,115 | \$221.28 | 4,637,726 | \$268.22 | \$45.42 | \$200.17 | \$245.59 | 2.7% | 7.5% | 6.5% |
| 200907 | 17,386 | 857,287 | \$49.31 | 3,849,118 | \$221.39 | 4,706,405 | \$270.69 | \$45.77 | \$202.01 | \$247.77 | 2.4% | 8.4% | 7.2% |
| 200908 | 17,554 | 844,033 | \$48.08 | 3,812,458 | \$217.18 | 4,656,491 | \$265.26 | \$46.32 | \$205.34 | \$251.66 | 4.4% | 11.5% | 10.1% |
| 200909 | 17,780 | 864,600 | \$48.63 | 3,806,051 | \$214.06 | 4,670,651 | \$262.69 | \$46.79 | \$207.68 | \$254.47 | 5.1% | 11.1% | 9.9% |
| 200910 | 17,723 | 912,231 | \$51.47 | 3,652,158 | \$206.06 | 4,564,389 | \$257.53 | \$47.42 | \$209.04 | \$256.46 | 6.7% | 11.2% | 10.3% |
| 200911 | 17,881 | 839,421 | \$46.94 | 3,674,929 | \$205.52 | 4,514,350 | \$252.47 | \$47.96 | \$211.12 | \$259.08 | 8.6% | 12.1% | 11.4% |
| 200912 | 18,223 | 880,175 | \$48.30 | 3,969,498 | \$217.83 | 4,849,673 | \$266.14 | \$47.97 | \$211.32 | \$259.29 | 7.8% | 9.2% | 9.0% |
| 201001 | 18,936 | 921,044 | \$48.64 | 4,468,756 | \$235.99 | 5,389,800 | \$284.63 | \$48.19 | \$213.88 | \$262.06 | 8.3% | 10.7% | 10.3% |
| 201002 | 19,021 | 867,664 | \$45.62 | 3,958,994 | \$208.14 | 4,826,657 | \$253.76 | \$48.33 | \$214.76 | \$263.10 | 8.8% | 10.2% | 10.0% |
| 201003 | 18,938 | 1,002,118 | \$52.92 | 4,830,675 | \$255.08 | 5,832,793 | \$307.99 | \$48.55 | \$219.84 | \$268.40 | 8.3% | 12.3% | 11.6% |
| 201004 | 18,917 | 918,297 | \$48.54 | 4,254,079 | \$224.89 | 5,172,376 | \$273.43 | \$48.55 | \$220.10 | \$268.65 | 7.7% | 10.6% | 10.0% |
| 201005 | 18,917 | 908,056 | \$48.00 | 4,147,709 | \$219.26 | 5,055,765 | \$267.26 | \$48.62 | \$220.76 | \$269.38 | 7.6% | 9.5% | 9.1% |
| 201006 | 18,981 | 956,846 | \$50.41 | 4,620,019 | \$243.40 | 5,576,865 | \$293.81 | \$48.91 | \$222.67 | \$271.57 | 7.7% | 11.2% | 10.6% |
| 201007 | 19,359 | 987,424 | \$51.01 | 4,245,898 | \$219.32 | 5,233,322 | \$270.33 | \$49.06 | \$222.48 | \$271.53 | 7.2% | 10.1% | 9.6% |
| 201008 | 19,439 | 1,021,731 | \$52.56 | 4,869,139 | \$250.49 | 5,890,869 | \$303.05 | \$49.44 | \$225.32 | \$274.76 | 6.7% | 9.7% | 9.2% |
| 201009 | 19,392 | 931,040 | \$48.01 | 4,433,132 | \$228.60 | 5,364,172 | \$276.61 | \$49.38 | \$226.49 | \$275.87 | 5.5% | 9.1% | 8.4% |
| 201010 | 19,323 | 934,299 | \$48.35 | 4,377,452 | \$226.54 | 5,311,751 | \$274.89 | \$49.13 | \$228.09 | \$277.21 | 3.6% | 9.1% | 8.1% |
| 201011 | 19,496 | 993,765 | \$50.97 | 4,210,663 | \$215.97 | 5,204,428 | \$266.94 | \$49.46 | \$228.82 | \$278.27 | 3.1% | 8.4% | 7.4% |
| 201012 | 19,588 | 1,030,407 | \$52.60 | 5,122,118 | \$261.50 | 6,152,524 | \$314.10 | \$49.81 | \$232.47 | \$282.28 | 3.8% | 10.0% | 8.9% |
| 201101 | 19,694 | 1,053,414 | \$53.49 | 4,795,085 | \$243.48 | 5,848,499 | \$296.97 | \$50.22 | \$233.12 | \$283.34 | 4.2% | 9.0% | 8.1% |
| 201102 | 19,609 | 974,299 | \$49.69 | 4,267,639 | \$217.63 | 5,241,937 | \$267.32 | \$50.56 | \$233.86 | \$284.41 | 4.6% | 8.9% | 8.1% |
| 201103 | 19,526 | 1,122,193 | \$57.47 | 4,979,514 | \$255.02 | 6,101,708 | \$312.50 | \$50.95 | \$233.91 | \$284.85 | 4.9% | 6.4% | 6.1% |
| 201104 | 19,435 | 1,080,050 | \$55.57 | 4,743,826 | \$244.09 | 5,823,876 | \$299.66 | \$51.53 | \$235.49 | \$287.02 | 6.1% | 7.0% | 6.8% |
| 201105 | 19,439 | 1,058,535 | \$54.45 | 4,901,280 | \$252.14 | 5,959,815 | \$306.59 | \$52.06 | \$238.19 | \$290.25 | 7.1% | 7.9% | 7.7% |
| 201106 | 19,463 | 1,086,124 | \$55.80 | 5,276,396 | \$271.10 | 6,362,520 | \$326.90 | \$52.50 | \$240.51 | \$293.01 | 7.4% | 8.0% | 7.9% |
| 201107 | 19,698 | 1,046,703 | \$53.14 | 4,980,359 | \$252.83 | 6,027,061 | \$305.97 | \$52.68 | \$243.30 | \$295.98 | 7.4% | 9.4% | 9.0% |
| 201108 | 19,714 | 1,106,416 | \$56.12 | 5,471,809 | \$277.57 | 6,578,225 | \$333.69 | \$52.98 | \$245.58 | \$298.56 | 7.2% | 9.0% | 8.7% |
| 201109 | 19,798 | 1,085,862 | \$54.85 | 5,472,261 | \$276.41 | 6,558,123 | \$331.26 | \$53.55 | \$249.59 | \$303.13 | 8.4% | 10.2% | 9.9% |
| 201110 | 19,834 | 1,021,245 | \$51.49 | 4,454,215 | \$224.58 | 5,475,460 | \$276.07 | \$53.80 | \$249.37 | \$303.17 | 9.5% | 9.3% | 9.4% |
| 201111 | 20,056 | 1,083,209 | \$54.01 | 4,763,624 | \$237.51 | 5,846,833 | \$291.52 | \$54.05 | \$251.12 | \$305.18 | 9.3% | 9.7% | 9.7% |
| 201112 | 20,035 | 1,142,423 | \$57.02 | 4,717,549 | \$235.46 | 5,859,972 | \$292.48 | \$54.42 | \$248.94 | \$303.36 | 9.3% | 7.1% | 7.5% |
| 201201 | 19,881 | 1,105,020 | \$55.58 | 4,866,373 | \$244.77 | 5,971,393 | \$300.35 | \$54.60 | \$249.04 | \$303.64 | 8.7% | 6.8% | 7.2% |
| 201202 | 19,796 | 1,078,595 | \$54.48 | 4,597,941 | \$232.26 | 5,676,536 | \$286.75 | \$55.00 | \$250.24 | \$305.24 | 8.8% | 7.0% | 7.3% |
| 201203 | 19,839 | 1,161,779 | \$58.56 | 4,723,349 | \$238.09 | 5,885,128 | \$296.65 | \$55.09 | \$248.83 | \$303.92 | 8.1% | 6.4% | 6.7% |
| 201204 | 19,827 | 1,073,132 | \$54.12 | 4,660,001 | \$235.03 | 5,733,133 | \$289.15 | \$54.97 | \$248.06 | \$303.03 | 6.7% | 5.3% | 5.6% |
| 201205 | 19,735 | 1,066,861 | \$54.06 | 4,934,418 | \$250.03 | 6,001,279 | \$304.09 | \$54.94 | \$247.89 | \$302.83 | 5.5% | 4.1% | 4.3% |
| 201206 | 19,689 | 1,067,417 | \$54.21 | 5,957,946 | \$302.61 | 7,025,362 | \$356.82 | \$54.81 | \$250.52 | \$305.33 | 4.4% | 4.2% | 4.2% |
| 201207 | 19,759 | 1,066,874 | \$53.99 | 5,253,833 | \$265.90 | 6,320,707 | \$319.89 | \$54.88 | \$251.61 | \$306.49 | 4.2% | 3.4% | 3.6% |
| 201208 | 19,699 | 1,063,156 | \$53.97 | 5,056,114 | \$256.67 | 6,119,270 | \$310.64 | \$54.70 | \$249.88 | \$304.58 | 3.2% | 1.7% | 2.0% |
| 201209 | 19,847 | 995,694 | \$50.17 | 4,503,337 | \$226.90 | 5,499,031 | \$277.07 | \$54.31 | \$245.75 | \$300.06 | 1.4% | -1.5% | -1.0% |
| 201210 | 19,768 | 1,121,665 | \$56.74 | 5,079,289 | \$256.94 | 6,200,954 | \$313.68 | \$54.75 | \$248.45 | \$303.20 | 1.8% | -0.4% | 0.0% |
| 201211 | 19,808 | 1,061,361 | \$53.58 | 4,824,149 | \$243.54 | 5,885,510 | \$297.12 | \$54.71 | \$248.96 | \$303.67 | 1.2% | -0.9% | -0.5% |
| 201212 | 19,834 | 1,059,510 | \$53.42 | 5,201,233 | \$262.23 | 6,260,742 | \$315.65 | \$54.41 | \$251.21 | \$305.62 | 0.0% | 0.9% | 0.7% |

Exhibit V - Confidentiality Index

HMO Colorado, Inc. Small Group

REQUEST FOR CONFIDENTIAL OR PRIVILEGED STATUS

Please fill out this form and submit it with your filing of information or documents with the Colorado Division of Insurance in the event you are requesting confidential or privileged status for all or a portion of such information or documents. It is your responsibility to both claim and validate your request for confidential or privileged status for each separate portion of the information.

1. Identification of Party Requesting Confidential or Privileged Status:

Name: Mike Polakowski, FSA, MAAA
Company: Anthem Blue Cross and Blue Shield
Address: 700 Broadway; Mail Stop: CO 0109-0938
Denver, CO 80273
Email Address: michael.polakowski@anthem.com
Telephone: 303-831-3258
Facsimile: N/A

2. Identification of information or documents for which confidential or privileged status is requested. All of the columns must be completed.

| ANTHEM BLUE CROSS AND BLUE SHIELD OF COLORADO SMALL GROUP PPO RATE FILING EFFECTIVE JANUARY 1, 2014 | | | | | | |
|---|---|--------------------|-----------------|--------------------------------|--|---|
| ID No. | Description of each different section or page | Date | Author | Recipient | Identify Confidentiality or Privilege Claimed (cite legal authority) | Reason why it applies |
| Exhibit U | Supporting Documentation | Effective 1/1/2014 | Mike Polakowski | Colorado Division of Insurance | C.R.S. §24-72-204(3)(a)(IV) | Includes proprietary, trade-secret information and strategy unique to our plan. |

Exhibit I - Non-Grandfathered Benefit Plan Factors

HMO Colorado, Inc.
Small Group
Effective January 1, 2014

| On-Exchange Plans: | | | |
|--------------------|--|--------------------|--------------------|
| <u>Metal Level</u> | <u>HIOS Standard Component Plan ID</u> | <u>Network</u> | <u>Plan Factor</u> |
| Catastrophic | | | |
| Bronze | 76680CO0230003 | Highly Aligned HMO | 0.7765 |
| Silver | 76680CO0230001 | Highly Aligned HMO | 0.9416 |
| Gold | 76680CO0230002 | Highly Aligned HMO | 1.2125 |
| Platinum | | | |

| Off-Exchange Plans: | | | |
|---------------------|--|--------------------|--------------------|
| <u>Metal Level</u> | <u>HIOS Standard Component Plan ID</u> | <u>Network</u> | <u>Plan Factor</u> |
| Catastrophic | | | |
| Bronze | 76680CO0240027 | Blue Priority HMO | 0.8918 |
| | 76680CO0240029 | Blue Priority HMO | 0.8222 |
| | 76680CO0240028 | Blue Priority HMO | 0.8918 |
| Silver | 76680CO0240018 | Highly Aligned HMO | 0.9520 |
| | 76680CO0240022 | Highly Aligned HMO | 0.9276 |
| | 76680CO0240025 | Highly Aligned HMO | 0.9817 |
| | 76680CO0240026 | Highly Aligned HMO | 1.0624 |
| | 76680CO0240008 | Blue Priority HMO | 0.9890 |
| | 76680CO0240009 | Blue Priority HMO | 0.9520 |
| | 76680CO0240013 | Blue Priority HMO | 0.9869 |
| | 76680CO0240014 | Blue Priority HMO | 1.0285 |
| | 76680CO0240015 | Blue Priority HMO | 1.0639 |
| | 76680CO0240030 | Highly Aligned HMO | 0.9387 |
| | 76680CO0240031 | Highly Aligned HMO | 0.9659 |
| | 76680CO0240021 | Highly Aligned HMO | 0.9868 |
| Gold | 76680CO0240002 | Blue Priority HMO | 1.1449 |
| | 76680CO0240020 | Highly Aligned HMO | 1.1641 |
| | 76680CO0240023 | Highly Aligned HMO | 1.1665 |
| | 76680CO0240005 | Blue Priority HMO | 1.1633 |
| | 76680CO0240007 | Blue Priority HMO | 1.2095 |
| | 76680CO0240016 | Highly Aligned HMO | 1.2280 |
| | 76680CO0240001 | Highly Aligned HMO | 1.2125 |
| Platinum | | | |

NOTES:

Benefit Plan Factors above reflect plan by plan differences from the index rate for allowable adjustments as described in detail in the Market Reform and Payment Parameters Regulations and illustrated in Exhibit P. The weighted average of these adjustments for the entire risk pool included in this rate filing is detailed in Exhibit H.

Exhibit J - Age Factors

HMO Colorado, Inc.
Small Group
Effective January 1, 2014

| Age | Rating Factor |
|-------|---------------|
| 0-20 | 0.635 |
| 21-24 | 1.000 |
| 25 | 1.004 |
| 26 | 1.024 |
| 27 | 1.048 |
| 28 | 1.087 |
| 29 | 1.119 |
| 30 | 1.135 |
| 31 | 1.159 |
| 32 | 1.183 |
| 33 | 1.198 |
| 34 | 1.214 |
| 35 | 1.222 |
| 36 | 1.230 |
| 37 | 1.238 |
| 38 | 1.246 |
| 39 | 1.262 |
| 40 | 1.278 |
| 41 | 1.302 |
| 42 | 1.325 |
| 43 | 1.357 |
| 44 | 1.397 |
| 45 | 1.444 |
| 46 | 1.500 |
| 47 | 1.563 |
| 48 | 1.635 |
| 49 | 1.706 |
| 50 | 1.786 |
| 51 | 1.865 |
| 52 | 1.952 |
| 53 | 2.040 |
| 54 | 2.135 |
| 55 | 2.230 |
| 56 | 2.333 |
| 57 | 2.437 |
| 58 | 2.548 |
| 59 | 2.603 |
| 60 | 2.714 |
| 61 | 2.810 |
| 62 | 2.873 |
| 63 | 2.952 |
| 64+ | 3.000 |

Exhibit K - Tobacco Factors

HMO Colorado, Inc.
Small Group
Effective January 1, 2014

| Age | Rating Factor |
|------|---------------|
| 0-20 | 1.0000 |
| 21+ | 1.1000 |

Exhibit L - Area Factors

HMO Colorado, Inc.

Small Group

Effective January 1, 2014

| Rating Area Description | Highly Aligned HMO Network | Blue Priority HMO Network |
|--------------------------|-------------------------------|------------------------------|
| 1 - Boulder MSA | 0.9450 | |
| 2 - Colorado Springs MSA | 0.9057 | 0.9057 |
| 3 - Denver MSA | 0.9648 | 0.9648 |
| 4 - Fort Collins MSA | 1.0166 | |
| 5 - Grand Junction MSA | 1.0814 | |
| 6 - Greeley PMSA | 1.0788 | |
| 7 - Pueblo MSA | 1.0132 | |
| 8 - SE Non-MSA | 1.0631 | |
| 9 - NE Non-MSA | 1.3468 | |
| 10 - West Non-MSA | 1.2114 | |
| 11 - Resort Non-MSA | 1.4870 | |
| OOA | 1.1865 | |

NOTES:

{1} OOA = Out of Area

Exhibit Q - Quarterly Index and Base Rate

HMO Colorado, Inc. Small Group

| | Rates Effective: | | | | |
|-------------------------|------------------|-----------|-----------|-----------|-----------|
| | 1Q14 | 2Q14 | 3Q14 | 4Q14 | Wtd Avg |
| Renewing Member Months | 281,954 | 105,733 | 105,733 | 211,466 | 704,886 |
| Quarterly Allowed Trend | | 2.2% | 2.2% | 2.1% | |
| Index Rate | \$429.78 | \$ 439.02 | \$ 448.46 | \$ 457.99 | \$ 442.43 |
| Quarterly Paid Trend | | 2.4% | 2.4% | 2.4% | |
| Base Rate | \$ 277.06 | \$ 283.79 | \$ 290.72 | \$ 297.78 | |

NOTES:

{1} The 1Q14 index rate was derived in Exhibit O.

{2} The 1Q14 index rate is assumed to increase with quarterly allowed trend as illustrated above.

{3} The 1Q14 base rate was derived in Exhibit A.

{4} The 1Q14 base rate is assumed to increase with quarterly paid trend as illustrated above. This trend rate differs from the index rate trend in that it includes anticipated changes for non-EHBs, deductible leveraging, fees, and risk mitigation programs.

{5} Minor rate variances may occur due to differences in rounding methodology.

ACTUARIAL MEMORANDUM

1. General Information

- Company Identifying Information

| | |
|---------------------|--------------------|
| Company Legal Name: | HMO Colorado, Inc. |
| State: | Colorado |
| HIOS Issuer ID: | 76680 |
| Market: | Small Group |
| Effective Date: | January 1, 2014 |

- Company Contact Information

| | |
|-----------------------------------|-----------------------------|
| Primary Contact Name: | Steve Spelshaus |
| Primary Contact Telephone Number: | (303) 831-2073 |
| Primary Contact Email Address: | Steven.Spelshaus@anthem.com |

2. Scope and Purpose of the Filing

To the best of Anthem's knowledge and current understanding, this filing complies with the most recent regulations and related guidance. Anthem's intention is to fully comply with all applicable laws and guidance; however, the regulatory framework continues to change and evolve rapidly. To the extent relevant rules or guidance on the rules are updated or changed, amendments to this filing may be required.

The purpose of this rate filing is to establish new product rates that are reasonable relative to the benefits provided and to demonstrate compliance with state laws and provisions of the Affordable Care Act (ACA). The rates will be in-force for effective dates on or after January 1, 2014. Subsequent rate changes will be implemented quarterly as discussed in more detail in Section 15: Index Rate. These rates will apply to plans offered both On-Exchange and Off-Exchange. This rate filing is not intended to be used for other purposes.

| | |
|------------------------|---|
| Policy Form Number(s): | EOC_ENG_HMOCOLORADO_76680CO0230003_20140101 |
| | EOC_ENG_HMOCOLORADO_76680CO0230001_20140101 |
| | EOC_ENG_HMOCOLORADO_76680CO0230002_20140101 |
| | EOC_ENG_HMOCOLORADO_76680CO0240027_20140101 |
| | EOC_ENG_HMOCOLORADO_76680CO0240029_20140101 |
| | EOC_ENG_HMOCOLORADO_76680CO0240028_20140101 |
| | EOC_ENG_HMOCOLORADO_76680CO0240018_20140101 |
| | EOC_ENG_HMOCOLORADO_76680CO0240022_20140101 |
| | EOC_ENG_HMOCOLORADO_76680CO0240025_20140101 |
| | EOC_ENG_HMOCOLORADO_76680CO0240026_20140101 |
| | EOC_ENG_HMOCOLORADO_76680CO0240008_20140101 |
| | EOC_ENG_HMOCOLORADO_76680CO0240009_20140101 |

EOC_ENG_HMOCOLORADO_76680CO0240013_20140101
EOC_ENG_HMOCOLORADO_76680CO0240014_20140101
EOC_ENG_HMOCOLORADO_76680CO0240015_20140101
EOC_ENG_HMOCOLORADO_76680CO0240030_20140101
EOC_ENG_HMOCOLORADO_76680CO0240031_20140101
EOC_ENG_HMOCOLORADO_76680CO0240021_20140101
EOC_ENG_HMOCOLORADO_76680CO0240002_20140101
EOC_ENG_HMOCOLORADO_76680CO0240020_20140101
EOC_ENG_HMOCOLORADO_76680CO0240023_20140101
EOC_ENG_HMOCOLORADO_76680CO0240005_20140101
EOC_ENG_HMOCOLORADO_76680CO0240007_20140101
EOC_ENG_HMOCOLORADO_76680CO0240016_20140101
EOC_ENG_HMOCOLORADO_76680CO0240001_20140101

3. Description of How the Base Rate Is Determined

The development of the Base Rate is detailed in Exhibit A - Base Rate Development. Further details on how the base rate is developed can be found in Section 8: Credibility Manual Rate Development, Section 11: Risk Adjustment and Reinsurance, Section 12: Non-Benefit Expenses, Profit and Risk, and Section 13: Average 2014 Rating Factors. A description of the methodology used to determine the base rate is as follows:

- Small Group manual rates are developed based on historical experience of Grandfathered and Non-Grandfathered business.
- The experience data is normalized to reflect anticipated changes in age/gender, area/network and benefit plan from the experience period to the projection period based on expected distribution of membership.
- The projected claims cost is calculated by adjusting the normalized claims for the impact of benefit changes, population morbidity, trend factors, other cost of care impacts and other claim adjustments.
- The projection period is February 1, 2014 - January 31, 2015. Small Group Business renews on a quarterly basis; therefore the middle month of the first quarter is February 2014.
- Adjustments for risk adjustment and reinsurance are applied to the projected claims cost.
- Non-benefit expenses, profit, and risk are applied to the projected claims cost to determine the required projection period premium.
- The average rating factors in the projection period are applied to the projection period premium to determine the base rate.
- The base rate represents an average benefit plan and area for an age 21 non-tobacco user in Colorado.

Premiums at the member level are determined by multiplying the base rate by the applicable factor for each of the allowable rating criteria: age, tobacco, area, and benefit plan. An example of this calculation is shown in Exhibit M - Sample Rate Calculation.

4. Proposed Rate Increase

New product filing; this section is not applicable.

5. Experience Period Premium and Claims

Experience shown in Worksheet 1, Section I of the Unified Rate Review Template is for the Colorado Small Group Single Risk Pool Non-Grandfathered Business. This experience is deemed not credible and therefore is not used for development of manual rates. The manual rates are fully detailed in Section 8: Credibility Manual Rate Development.

Claims experience in Worksheet 1, Section I of the Unified Rate Review Template reflects dates of service from January 1, 2012 through December 31, 2012.

- **Paid Through Date**

Claims shown in Worksheet 1, Section I of the Unified Rate Review Template are paid through December 31, 2012.

- **Allowed and Incurred Claims Incurred During the Experience Period**

The allowed claims are determined by adding member cost sharing amounts to plan liability amounts.

Allowed and incurred claims are completed using the chain ladder method, an industry standard, by using historic paid vs. incurred claims patterns. The method calculates historic completion percentages, representing the percent of claims paid for a particular month after one month of run out, two months, etc., for a forty-eight month view of history. Claim backlog files are reviewed on a monthly basis and are accounted for in the historical completion factor estimates.

- **Premiums (net of MLR Rebate) in Experience Period**

The estimated Non-Grandfathered gross earned premium for Colorado Small Group is \$2,999,401, where earned premium is the pro-rata share of premium owed to Anthem due to subscribers actively purchasing insurance coverage during the experience period.

The preliminary MLR Rebate estimate is \$0, which is consistent with the 12/31/2012 Anthem general ledger estimate allocated to the Non-Grandfathered portion of Small Group. Note that this is an estimate and will not be final until 6/1/2013.

6. Benefit Categories

The methodology used to determine benefit categories in Worksheet 1, Section II of the Unified Rate Review Template is as follows:

- Inpatient Hospital: Includes non-capitated facility services for medical, surgical, maternity, mental health and substance abuse, skilled nursing, and other services provided in an inpatient facility setting and billed by the facility.
- Outpatient Hospital: Includes non-capitated facility services for surgery, emergency room, lab, radiology, therapy, observation and other services provided in an outpatient facility setting and billed by the facility.
- Professional: Includes non-capitated primary care, specialist, therapy, the professional component of laboratory and radiology, and other professional services, other than hospital based professionals whose payments are included in facility fees.
- Other Medical: Includes non-capitated ambulance, home health care, DME, prosthetics, supplies, vision exams, dental services and other services.
- Capitation: Includes all services provided under one or more capitated arrangements.
- Prescription Drug: Includes drugs dispensed by a pharmacy and rebates received from drug manufacturers.

7. Projection Factors

As previously indicated, the credibility level assigned to the experience in Worksheet 1, Section III of the Unified Rate Review Template is 0%. Consequently, factors to project experience claims are not provided as they are not applicable. However, the factors used to develop the manual rates are fully detailed in Section 8: Credibility Manual Rate Development.

8. Credibility Manual Rate Development

Experience developed and projected herein is Anthem's Small Group Business based on plan liability amounts. The rate development is shown in Exhibit A - Base Rate Development.

• Source and Appropriateness of Experience Data Used

The source data underlying the development of the manual rate consists of claims for all Grandfathered and Non-Grandfathered Small Group business, incurred during the period November 1, 2011 – October 31, 2012 and paid through December 31, 2012. Completion factors are then calculated to reflect additional months of runout after December 31, 2012. Anthem expects a large portion of the Grandfathered Small Group policyholders to migrate to ACA-compliant policies prior to and during the projection period.

Other than completing the incurred claims, no further explicit adjustments are made to the experience data.

For more detail, see Exhibit B - Claims Experience for Manual Rate Development.

- **Adjustments Made to the Data**

The development of the claims projected to the projection period is summarized in Exhibit A - Base Rate Development, items (1) - (10), and described in detail below.

The projected claims cost is calculated by multiplying the normalized claims cost by the impact of benefit changes, anticipated changes in population morbidity, and cost of care impacts. The adjustments are described below, and the factors are presented in Exhibit D - Projection Period Adjustments.

Changes in Demographics (Normalization)

The source data was normalized to reflect anticipated changes in age/gender, area/network and benefit plan from the experience period to the projection period. The purpose of these factors is to adjust current experience to be reflective of expected claim experience in the projection period. See Section 18: Membership Projections for additional information on membership movement. The normalization factors and their aggregate impact on the underlying experience data are detailed in Exhibit C - Normalization Factors.

- **Age/Gender:** The assumed claims cost is applied by age and gender to the experience period distribution and the projection period distribution.
- **Area/Network:** The area claims factors are developed based on an analysis of Small Group and Individual allowed claims by network, mapped to the prescribed 2014 rating areas using 5-digit zip code.
- **Benefit Plan:** The experience period claims are normalized to an average 2014 plan using benefit relativities. The benefit relativities include the value of cost shares and anticipated changes in utilization due to the difference in average cost share requirements.

Changes in Benefits

Benefit changes include the following:

- **Preventive Rx (over the counter):** The claims are adjusted for 100% coverage of benefits for specific over the counter drugs obtained with a prescription from a physician.
- **Rx Adjustments:** The claims are adjusted for differences in the Rx formulary, coverage for preventive prescription drugs previously sold over-the-counter, and impacts for moving drugs into different tiers in the projection period relative to what is reflected in the base experience data.

Changes in the Morbidity of the Population Insured

The claims are adjusted to reflect shifts in health insurance coverage as a result of the provisions of the ACA. The market shifts, or population movements, affecting the morbidity of the Small Group market in the projection period include:

- Small Groups electing to drop coverage
- Small group members electing to be uninsured
- Small groups moving to self-funded coverage
- Small group members moving to Medicaid
- Renewal timing changes as Small Groups elect to move their renewal date and remain on their current products longer in 2014

The movement assumptions above are based on market research and assumptions on the employer opt-out and consumer uptake rates. The morbidity impacts of population movement are based on health status determined from internal risk score data.

Trend Factors

- The annual pricing trend used in the development of the rates is 10.1%. The trend is based on projected cost and utilization trends by place of service, including anticipated changes in provider contracts. Normalization adjustments are made for persistent business, age/gender, and large claims. Trend also includes an estimate for leveraging. The claims are trended 27 months from the midpoint of the experience period, which is May 1, 2012, to the midpoint of the projection period, which is August 1, 2014.

Other Claim Adjustments

The adjustments described below are presented in Exhibit E - Other Claim Adjustments.

- Rx Rebates: The projected claims cost is adjusted to reflect anticipated Rx rebates. These projections take into account the most up-to-date information regarding anticipated rebate contracts, drug prices, anticipated price inflation, and upcoming patent expirations.
- The cost of adding benefits for pediatric dental and vision are included.

- **Capitation Payments**

The underlying data includes capitation payments, which are combined with the base medical and pharmacy claims and projected at the same rate. No further adjustment is made to the capitation.

9. Credibility of Experience

The combination of both Grandfathered and Non-Grandfathered experience data most reasonably reflects Small Group claims experience under the future projection period. Actuarial judgment has been exercised to determine that rates will be developed giving full credibility to the data underlying the manual rate in Section 8: Credibility Manual Rate Development.

- **Resulting Credibility Level Assigned to Base Period Experience**

The credibility level assigned to the experience in Worksheet 1, Section III of the Unified Rate Review Template is 0%.

10. Paid to Allowed Ratio

The 'Paid to Allowed Average Factor in Projection Period' shown in Worksheet 1, Section III of the Unified Rate Review Template is developed by membership-weighted essential health benefit paid claims divided by membership-weighted essential health benefit allowed claims of each plan. The projected membership by plan is shown in Worksheet 2, Section II.

11. Risk Adjustment and Reinsurance

- **Projected Risk Adjustment**

The Risk Adjustment program transfers funds from lower risk plans to higher risk plans in the Non-Grandfathered Individual and Small Group market. At this time, Anthem is assuming the risk for the plans in this filing are no better or worse than other plans in the market, resulting in no estimated risk transfer value as shown in Exhibit F - Risk Adjustment and Reinsurance - Contributions and Payments.

- **Projected ACA Reinsurance Recoveries Net of Reinsurance Premium**

The transitional reinsurance risk mitigation program collects funds from all insurance issuers and TPAs and redistributes them to high cost claimants in the Non-Grandfathered Individual market. The reinsurance contribution is equal to the national per capita reinsurance contribution rate as shown in Exhibit F - Risk Adjustment and Reinsurance - Contributions and Payments.

12. Non-Benefit Expenses, Profit and Risk

Non-Benefit expenses are detailed in Exhibit G - Non-Benefit Expenses and Profit & Risk.

- **Administrative Expense**

Administrative Expenses are expected to be consistent with historical levels and are developed utilizing the same methodology as previous filings, they are not varied by product or plan. Maintenance costs are assumed to be flat on a per member basis with savings from administrative efficiencies and the elimination of underwriting offset by new expenses for risk management and regulatory compliance.

- **Quality Improvement Expense**

The quality improvement expense represents Anthem's dedication to providing the highest standard of customer care and consistently seeking to improve health care quality, outcomes and value in a cost efficient manner.

- **Selling Expense**

Selling Expense represents broker commissions and bonuses associated with the broker distribution channel using historical and projected commission levels. Commissions will be paid On-Exchange and Off-Exchange.

- **Taxes and Fees**

- **Patient-Centered Outcomes Research Institute (PCORI) Fee:** The PCORI fee is a federally-mandated fee designed to help fund the Patient-Centered Outcomes Research Trust Fund. For plan years ending before October 1, 2014, the fee is \$2 per member per year. Thereafter, for every plan year ending before October 1, 2019, the fee will increase by the percentage increase in National Healthcare Expenditures.
- **Risk Adjustment Fee:** The Risk Adjustment fee is a user fee to support the administration of the HHS operated Risk Adjustment program. The charge is \$1 per enrollee per year.
- **ACA Insurer Fee:** The health insurance industry will be assessed a permanent fee, based on market share of net premium, which is not tax deductible.
- **Exchange Fee:** The Exchange User Fee applies to Exchange business only, but the cost is spread across all Small Group plans. It is a blended fee based on the assumed percentage of members that will purchase products On-Exchange and Off-Exchange.
- **Federal, state, and premium taxes** are also included in the retention items.

- **Profit**

Profit is reflected on a post-tax basis as a percent that does not vary by product or plan.

13. Average 2014 Rating Factors

The required premium in the projection period is adjusted to reflect the average age, tobacco, area, and benefit plan rating factors to develop the rating period base rate. The average factors are shown in Exhibit H - Average 2014 Rating Factors and applied in line item 14 of Exhibit A - Base Rate Development.

- Benefit Plan Factors

Refer to Exhibit I - Non-Grandfathered Benefit Plan Factors.

- Age and Tobacco Factors

Refer to Exhibit J - Age Factors.

Refer to Exhibit K - Tobacco Factors.

- Area Factors

Refer to Exhibit L - Area Factors.

14. Projected Loss Ratio

- Projected Federal MLR

The projected Federal MLR for the products in this filing is estimated in Exhibit N - Federal MLR Estimated Calculation. Please note that this calculation is purely an estimate and not meant to be a true measure for Federal or State MLR rebate purposes. The products in this filing represent only a subset of Anthem's Small Group business. The MLR for Anthem's entire book of Small Group business will be compared to the minimum Federal benchmark for purposes of determining regulation-related premium refunds. Also note that the projected Federal MLR presented here does not capture all adjustments, including but not limited to third party margins, three-year averaging, credibility, dual option, and deductible. Anthem's projected MLR is expected to meet or exceed the minimum MLR standards at the market level after including all adjustments.

15. Index Rate

- Experience Period Index Rate

The index rate represents the average allowed claims PMPM of essential health benefits for HMO Colorado, Inc. 's Small Group Non-Grandfathered Business. The experience period index rate shown in Worksheet 1, Section I (cell G17) of the Unified Rate Review Template is \$910.62 and is different than the experience period allowed claims (cell G16 in the same location) due to non-essential health benefits covered during the experience period. A comparison to the benchmark was performed and Acupuncture was identified as non-essential health benefits covered during the experience period.

- Projection Period Index Rate

The index rate represents the average allowed claims PMPM of essential health benefits for HMO Colorado, Inc. 's Small Group Non-Grandfathered Business. The 1st quarter projection period index rate was developed as shown in Exhibit O - Projected Index Rate Development by adjusting the projected incurred claims PMPM described in Section 8: Credibility Manual Rate Development of this memorandum. Projected trended index rates by quarter are also captured in Exhibit Q - Quarterly Index and Base Rate. Covered benefits in excess of essential health benefits that are included in the projection period allowed claims (cell T30 of Worksheet 1, Section II of the Unified Rate Review Template) but excluded from Exhibit Q's projection period index rate (also shown in cell V44 of Worksheet 1, Section III of the Unified Rate Review Template) are Spinal Manipulation, Diagnosis of Infertility, Webinars (DocTalk), Healthy Lifestyles Incentives (\$150/yr), Tobacco Free Certification with Incentives (\$50/yr), Gym Reimbursement (\$400/yr), and Incentive Admin (AHR Direct Platform and HMRK Gift Card). To calculate the required premium, the projection period index rate is adjusted only by the adjustments allowed per Market Reform and Payment Parameters Regulations. This development is presented in Exhibit P - Development of Required Premium from Index Rate.

- Quarterly Index and Base Rate

Quarterly index and base rate changes will be implemented On-Exchange and Off-Exchange. Refer to Exhibit Q - Quarterly Index and Base Rate.

16. Actuarial Value Metal Values

The Actuarial Value (AV) Metal Values included in Worksheet 2 of the Unified Rate Review Template are based on the AV Calculator. To the extent a component of the benefit design was not accommodated by an available input within the AV Calculator, the benefit characteristic was adjusted to be actuarially-equivalent to an available input within the AV Calculator for purposes of utilizing the AV Calculator as the basis for the AV Metal Values. Benefits for Plans that are not compatible with the parameters of the AV Calculator have been separately identified and documented in the Unique Plan Design Supporting Documentation and Justification that supports the Plan & Benefits Template.

17. Actuarial Value Pricing Values

The AV Pricing Values for each Product ID are in Worksheet 2, Section I of the Unified Rate Review Template. The fixed reference plan selected as the basis for the AV Pricing Value calculations is '76680CO0240018'. Utilization adjustments are made to account for member behavior variations, depending on the richness of the benefit design and not the health status of the member. The average allowable modifiers to the Index Rate can be found in Exhibit P - Development of Required Premium from Index Rate.

18. Membership Projections

Membership projections are developed using a population movement model and adjustments for sales expectations. This model projects the membership in the projection period by taking into account:

- Small Groups dropping coverage
- Small Group members opting out of coverage
- Small Group members to Medicaid as a result of expanded Medicaid eligibility

The plan distribution is based on assumed metal tier and network distributions.

Refer to Exhibit D - Projection Period Adjustments for the projected morbidity changes from population movement.

19. Warning Alerts

The sum of the allowed claims for plan level projections on Worksheet 2, Section IV of the Unified Rate Review Template are net of projected risk adjustments and projected ACA reinsurance recoveries and premium, which is consistent with the Unified Rate Review Template instructions for the allowed claims as well as the check in cell B86. However, this results in the allowed claims PMPM to be mismatched to the check in cell B99 since B99 does not net the impacts of projected risk adjustments and projected ACA reinsurance recoveries and premium, so a warning may result in A99.

20. Terminated Products

Non ACA-compliant products will no longer be offered to new enrollees effective January 1, 2014 but will remain in effect in 2014 until enrollees renew onto ACA-compliant products. The list of non ACA-compliant terminated products are shown in Exhibit R - Terminated Products.

21. Plan Type

Plan types in Worksheet 2, Section I of the URRT adequately describe Anthem's plans.

22. Actuarial Certification

I, Michael Polakowski, FSA, MAAA, am an actuary for Anthem. I am a member of the American Academy of Actuaries and a Fellow of the Society of Actuaries. I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein. I hereby certify that the following statements are true to the best of my knowledge with regards to this filing:

- (1) The projected Index Rate is:

- In compliance with all applicable State and Federal Statutes and Regulations (45 CFR 156.80(d)(1)),
- Developed in compliance with the applicable Actuarial Standards of Practice
- Reasonable in relation to the benefits provided and the population anticipated to be covered
- Not excessive, inadequate, or unfairly discriminatory.

(2) The Index Rate and only the allowable modifiers as described in 45 CFR 156.80(d)(1) and 45 CFR 156.80(d)(2) were used to generate plan level rates.

(3) The percent of total premium that represents essential health benefits included in Worksheet 2, Sections III and IV is calculated in accordance with actuarial standards of practice.

(4) The AV Calculator was used to determine the AV Metal Values shown in Worksheet 2 of the Part I Unified Rate Review Template for all plans.

The Part I Unified Rate Review Template does not demonstrate the process used by the issuer to develop the rates. Rather it represents information required by Federal regulation to be provided in support of the review of rate increases, for certification of Qualified Health Plans for Federally-Facilitated Exchanges, and for certification that the Index Rate is developed in accordance with Federal regulation, used consistently, and only adjusted by the allowable modifiers. However, this Actuarial Memo does accurately describe the process used by the issuer to develop the rates.

Michael Polakowski, FSA, MAAA
Regional Vice President and Actuary III

May 9, 2013
Date

Exhibit A - Base Rate Development

Effective January 1, 2014

HMO Colorado, Inc.
Small Group

| | <u>Paid Claims</u> | |
|--|--------------------|-------------------------------|
| 1) Experience Period Cost PMPM | \$ 297.23 | Exhibit B |
| 2) x <u>Normalization Factor</u> | <u>0.8888</u> | Exhibit C |
| 3) = Normalized Claims | \$ 264.18 | = (1) x (2) |
| 4) x Benefit Changes | 0.9437 | Exhibit D |
| 5) x Morbidity Changes | 0.9789 | Exhibit D |
| 6) x Trend Factor | 1.2426 | Exhibit D |
| 7) x <u>Other Cost of Care Impacts</u> | <u>1.0000</u> | Exhibit D |
| 8) = Projected Claim Cost | \$ 303.25 | = (3) x (4) x (5) x (6) x (7) |
| 9) + Other Claim Impacts | \$0.52 | Exhibit E |
| 10) = Claims Projected to Projection Period | \$ 303.77 | = (8) + (9) |
| 11) + Risk Mitigation - Contributions and Payments | \$5.10 | Exhibit F |
| 12) + <u>Selling Expense, Administration and Other Retention Items {1}</u> | <u>\$74.83</u> | Exhibit G |
| 13) = Required Premium in Projection Period | \$ 383.70 | = (10) + (11) + (12) |
| 14) ÷ <u>Average Rating Factors in Projection Period</u> | <u>1.3849</u> | Exhibit H |
| 15) = Base Rate (Average Plan-Level - Age 21 - Non-Tobacco) | \$ 277.06 | = (13) ÷ (14) |
| 16) Projected Loss Ratio (Conventional Basis) | 80.5% | = [(10) + (11)] ÷ (13) |

NOTES:

{1} Equivalent to PMPM expenses on Exhibit G + % of premium expenses on Exhibit G applied to Required Premium (Row 13 above).

Exhibit B - Claims Experience for Manual Rate Development

HMO Colorado, Inc.
Small Group

Incurred November 1, 2011 through October 31, 2012

Paid through December 31, 2012

PPO, HMO, Traditional and Anthem Essential Small Group In-Area Business:

| PAID CLAIMS: | | | | | | | | | | |
|---------------------------|---------------|--------------|-----------|------------------------|---------------|------------|-----------------|---------|-------|--------|
| Incurred and Paid Claims: | | IBNR: | | Fully Incurred Claims: | | | Total | Member | Total | |
| Medical | Drug | Medical | Drug | Medical | Drug | Capitation | Benefit Expense | Months | PMPM | |
| \$ 171,882,362 | \$ 34,044,979 | \$ 3,556,956 | \$ 20,767 | \$ 175,439,318 | \$ 34,065,746 | \$ 9,271 | \$ 209,514,335 | 704,886 | \$ | 297.23 |

| ALLOWED CLAIMS: | | | | | | | | | | |
|---------------------------|---------------|--------------|-----------|------------------------|---------------|------------|-----------------|---------|-------|--------|
| Incurred and Paid Claims: | | IBNR: | | Fully Incurred Claims: | | | Total | Member | Total | |
| Medical | Drug | Medical | Drug | Medical | Drug | Capitation | Benefit Expense | Months | PMPM | |
| \$ 222,898,652 | \$ 50,145,533 | \$ 4,473,670 | \$ 28,894 | \$ 227,372,322 | \$ 50,174,427 | \$ 9,271 | \$ 277,556,020 | 704,886 | \$ | 393.76 |

Exhibit C - Normalization Factors

HMO Colorado, Inc.
Small Group

Experience Period: November 1, 2011 through October 31, 2012

| Normalize to population expected in 2014 | | | |
|---|------------------------------|-------------------|---------------|
| Average claim factors based on future population as compared to experience period population: | | | |
| | Average Claim Factors | | Normalization |
| | Experience Period Population | Future Population | Factor |
| Age/Gender | 1.0186 | 1.0191 | 1.0005 |
| Area/Network | 0.9891 | 0.8789 | 0.8886 |
| Benefit Plan | 0.9011 | 0.9008 | 0.9997 |
| Total | 0.9078 | 0.8068 | 0.8888 |

Exhibit D - Projection Period Adjustments

HMO Colorado, Inc. Small Group

Impact of Changes Between Experience Period and Projection Period:

| | <u>Adjustment Factor</u> |
|------------------------------------|--------------------------|
| <u>Benefit changes</u> | |
| Preventive Rx (over the counter) | 1.0006 |
| Eliminate Pre-Ex | 1.0000 |
| <u>Rx Adjustments {1}</u> | <u>0.9431</u> |
| Total Benefit Changes | 0.9437 |
| <u>Morbidity changes</u> | |
| Total Morbidity Changes | 0.9789 |
| <u>Cost of care impacts</u> | |
| Annual Medical/Rx Trend Rate | 10.1% |
| # Months of Projection | 27 |
| Trend Factor | 1.2426 |

NOTES:

{1} Adjusted for differences in the Rx formulary and impacts for moving drugs into different tiers in the projection period relative to what is reflected in the base experience data.

Exhibit E - Other Claim Adjustments

HMO Colorado, Inc. Small Group

| <i>Adjustments to projection period claims to reflect covered benefits not included in experience period data:</i> | |
|--|--------------------|
| | <u>PMPM</u> |
| Rx Rebates | (\$2.52) |
| Pediatric Dental | \$0.08 |
| Pediatric Vision | \$0.14 |
| <u>Additional Non-EHBs {1}</u> | <u>\$2.82</u> |
| Total | \$0.52 |

NOTES:

{1} The 'Additional Non-EHBs' adjustment above reflects ONLY additional costs beyond those already captured in line Item 8 of Exhibit A. Line Item 8 of Exhibit A includes \$1.49 of embedded Non-EHB medical costs resulting from inclusion in the experience data and/or the normalization process.

Exhibit F - Risk Adjustment and Reinsurance - Contributions and Payments

HMO Colorado, Inc.
Small Group
Effective January 1, 2014

| | | | |
|---|---|--------------------------|--|
| <u>Risk Adjustment:</u> | | | |
| Description | Transfers funds from lowest risk plans to highest risk plans | | |
| Participants | Non-Grandfathered Individual and Small Group plans (inside and outside Exchange) are eligible | | |
| PMPM | Net Transfer | | |
| Federal Program | \$0.00 | | |
| <u>Note:</u> It is assumed the risk for the plans included in this rate filing is no better/worse than any other plans within this market. | | | |
| <u>Reinsurance:</u> | | | |
| Description | Provides funding to plans that enroll highest cost individuals | | |
| Participants | All insurance issuers and TPAs contribute funds Non-Grandfathered Individual plans (inside and outside Exchange) are eligible for payments | | |
| PMPM | Contributions Made | Expected Payments | |
| Federal Program | \$5.10 | \$0.00 | <i>Small Group Plans contribute funds but only Individual Plans are eligible to receive payments</i> |
| <u>Source:</u> HHS estimates a national per capita contribution rate of \$5.25 per month (\$63 per year) in benefit year 2014 and \$3.50 per month (\$42 per year) in 2015 (per Payment Parameter Rule). | | | |
| Grand Total of All Risk Mitigation Programs | | | \$5.10 |

NOTES:

$\$5.10 = \$5.25 * (11 \text{ months}/12\text{months}) + \$3.50 * (1 \text{ months}/12 \text{ months})$

\$5.25 = 2014 contribution

\$3.50 = 2015 contribution

Exhibit G - Non-Benefit Expenses and Profit & Risk

HMO Colorado, Inc. Small Group

| | <u>PMPM</u> | <u>% Premium</u> |
|-----------------------------|----------------|------------------|
| Administrative Costs | \$18.88 | |
| Quality Improvement Expense | \$2.83 | |
| Selling Expense | \$16.34 | |
| ACA Related Fees: | | |
| PCORI Fee | \$0.17 | |
| Risk Adjustment User Fee | \$0.08 | |
| ACA Insurer Fee | | 2.67% |
| Exchange User Fee | | 0.55% |
| Premium Tax | | 0.00% |
| Federal/State Taxes | | 2.38% |
| Profit (Post-Tax) | | 3.92% |
| Total | \$38.30 | 9.52% |

Exhibit H - Average 2014 Rating Factors

HMO Colorado, Inc.
Small Group

Effective January 1, 2014

| <i>Average 2014 rating factors for 2014 population:</i> | |
|---|------------------------------|
| | Average Rating Factor |
| Age/Tobacco | 1.3846 |
| Area/Benefit Plan | 1.0002 |
| Total | 1.3849 |

NOTES:

The developed base rate is reduced by the overall average rating factor shown above.
See Line Item 14 on Exhibit A.

Exhibit I - Non-Grandfathered Benefit Plan Factors

HMO Colorado, Inc.
Small Group
Effective January 1, 2014

| On-Exchange Plans: | | | |
|--------------------|--|--------------------|--------------------|
| <u>Metal Level</u> | <u>HIOS Standard Component Plan ID</u> | <u>Network</u> | <u>Plan Factor</u> |
| Catastrophic | | | |
| Bronze | 76680CO0230003 | Highly Aligned HMO | 0.7765 |
| Silver | 76680CO0230001 | Highly Aligned HMO | 0.9416 |
| Gold | 76680CO0230002 | Highly Aligned HMO | 1.2125 |
| Platinum | | | |

| Off-Exchange Plans: | | | |
|---------------------|--|--------------------|--------------------|
| <u>Metal Level</u> | <u>HIOS Standard Component Plan ID</u> | <u>Network</u> | <u>Plan Factor</u> |
| Catastrophic | | | |
| Bronze | 76680CO0240027 | Blue Priority HMO | 0.8918 |
| | 76680CO0240029 | Blue Priority HMO | 0.8222 |
| | 76680CO0240028 | Blue Priority HMO | 0.8918 |
| Silver | 76680CO0240018 | Highly Aligned HMO | 0.9520 |
| | 76680CO0240022 | Highly Aligned HMO | 0.9276 |
| | 76680CO0240025 | Highly Aligned HMO | 0.9817 |
| | 76680CO0240026 | Highly Aligned HMO | 1.0624 |
| | 76680CO0240008 | Blue Priority HMO | 0.9890 |
| | 76680CO0240009 | Blue Priority HMO | 0.9520 |
| | 76680CO0240013 | Blue Priority HMO | 0.9869 |
| | 76680CO0240014 | Blue Priority HMO | 1.0285 |
| | 76680CO0240015 | Blue Priority HMO | 1.0639 |
| | 76680CO0240030 | Highly Aligned HMO | 0.9387 |
| | 76680CO0240031 | Highly Aligned HMO | 0.9659 |
| | 76680CO0240021 | Highly Aligned HMO | 0.9868 |
| Gold | 76680CO0240002 | Blue Priority HMO | 1.1449 |
| | 76680CO0240020 | Highly Aligned HMO | 1.1641 |
| | 76680CO0240023 | Highly Aligned HMO | 1.1665 |
| | 76680CO0240005 | Blue Priority HMO | 1.1633 |
| | 76680CO0240007 | Blue Priority HMO | 1.2095 |
| | 76680CO0240016 | Highly Aligned HMO | 1.2280 |
| | 76680CO0240001 | Highly Aligned HMO | 1.2125 |
| Platinum | | | |

NOTES:

Benefit Plan Factors above reflect plan by plan differences from the index rate for allowable adjustments as described in detail in the Market Reform and Payment Parameters Regulations and illustrated in Exhibit P. The weighted average of these adjustments for the entire risk pool included in this rate filing is detailed in Exhibit H.

Exhibit J - Age Factors

HMO Colorado, Inc.
Small Group
Effective January 1, 2014

| Age | Rating Factor |
|-------|---------------|
| 0-20 | 0.635 |
| 21-24 | 1.000 |
| 25 | 1.004 |
| 26 | 1.024 |
| 27 | 1.048 |
| 28 | 1.087 |
| 29 | 1.119 |
| 30 | 1.135 |
| 31 | 1.159 |
| 32 | 1.183 |
| 33 | 1.198 |
| 34 | 1.214 |
| 35 | 1.222 |
| 36 | 1.230 |
| 37 | 1.238 |
| 38 | 1.246 |
| 39 | 1.262 |
| 40 | 1.278 |
| 41 | 1.302 |
| 42 | 1.325 |
| 43 | 1.357 |
| 44 | 1.397 |
| 45 | 1.444 |
| 46 | 1.500 |
| 47 | 1.563 |
| 48 | 1.635 |
| 49 | 1.706 |
| 50 | 1.786 |
| 51 | 1.865 |
| 52 | 1.952 |
| 53 | 2.040 |
| 54 | 2.135 |
| 55 | 2.230 |
| 56 | 2.333 |
| 57 | 2.437 |
| 58 | 2.548 |
| 59 | 2.603 |
| 60 | 2.714 |
| 61 | 2.810 |
| 62 | 2.873 |
| 63 | 2.952 |
| 64+ | 3.000 |

Exhibit K - Tobacco Factors

HMO Colorado, Inc.
Small Group
Effective January 1, 2014

| Age | Rating Factor |
|------|---------------|
| 0-20 | 1.0000 |
| 21+ | 1.1000 |

Exhibit L - Area Factors

HMO Colorado, Inc.

Small Group

Effective January 1, 2014

| Rating Area Description | Highly Aligned HMO Network | Blue Priority HMO Network |
|--------------------------|-------------------------------|------------------------------|
| 1 - Boulder MSA | 0.9450 | |
| 2 - Colorado Springs MSA | 0.9057 | 0.9057 |
| 3 - Denver MSA | 0.9648 | 0.9648 |
| 4 - Fort Collins MSA | 1.0166 | |
| 5 - Grand Junction MSA | 1.0814 | |
| 6 - Greeley PMSA | 1.0788 | |
| 7 - Pueblo MSA | 1.0132 | |
| 8 - SE Non-MSA | 1.0631 | |
| 9 - NE Non-MSA | 1.3468 | |
| 10 - West Non-MSA | 1.2114 | |
| 11 - Resort Non-MSA | 1.4870 | |
| OOA | 1.1865 | |

NOTES:

{1} OOA = Out of Area

Exhibit M - Sample Rate Calculation

HMO Colorado, Inc.
Small Group

Group Name: Sample Group
Effective Date: 1/1/2014
On/Off Exchange: On
Metal Level: Silver
Plan: 76680CO0230001
Rating Area: 3 - Denver MSA
Network: Highly Aligned HMO

Group Census:

| | Employee | Spouse | Number of | Child #1 | Child #2 | Child #3 | Child #4 | Tobacco User? | | | | | |
|--------------|----------|--------|-----------|----------|----------|----------|----------|---------------|--------|----------|----------|----------|----------|
| | Age | Age | Children | Age | Age | Age | Age | Employee | Spouse | Child #1 | Child #2 | Child #3 | Child #4 |
| Employee #1 | 24 | 23 | 1 | 0 | | | | Yes | No | No | | | |
| Employee #2 | 26 | | | | | | | No | | | | | |
| Employee #3 | 28 | | | | | | | No | | | | | |
| Employee #4 | 32 | 33 | | | | | | Yes | No | | | | |
| Employee #5 | 30 | | 2 | 2 | 4 | | | No | | No | No | | |
| Employee #6 | 45 | 45 | 3 | 18 | 15 | 12 | | No | No | No | No | No | |
| Employee #7 | 53 | 55 | | | | | | Yes | Yes | | | | |
| Employee #8 | 41 | | 4 | 16 | 13 | 5 | 4 | No | | No | No | No | No |
| Employee #9 | 56 | | | | | | | No | | | | | |
| Employee #10 | 40 | | 1 | 25 | | | | No | | Yes | | | |
| Employee #11 | 62 | | | | | | | No | | | | | |
| Employee #12 | 64 | 64 | | | | | | No | No | | | | |

Calculation of Monthly Premium:

Base Rate = \$ 277.06 Exhibit A
x Benefit Plan Factor 0.9416 Exhibit I
x Area Factor 0.9648 Exhibit L
Base Rate Adjusted for Plan/Area = \$ 251.71

Age/Tobacco Factors:

Exhibit J and Exhibit K

| | Employee | | Spouse | | Child #1 | | Child #2 | | Child #3 | | Child #4 | |
|--------------|------------|----------------|------------|----------------|------------|----------------|------------|----------------|------------|----------------|------------|----------------|
| | Age Factor | Tobacco Factor | Age Factor | Tobacco Factor | Age Factor | Tobacco Factor | Age Factor | Tobacco Factor | Age Factor | Tobacco Factor | Age Factor | Tobacco Factor |
| Employee #1 | 1.000 | 1.10 | 1.000 | 1.00 | 0.635 | 1.00 | | | | | | |
| Employee #2 | 1.024 | 1.00 | | | | | | | | | | |
| Employee #3 | 1.087 | 1.00 | | | | | | | | | | |
| Employee #4 | 1.183 | 1.10 | 1.198 | 1.00 | | | | | | | | |
| Employee #5 | 1.135 | 1.00 | | | 0.635 | 1.00 | 0.635 | 1.00 | | | | |
| Employee #6 | 1.444 | 1.00 | 1.444 | 1.00 | 0.635 | 1.00 | 0.635 | 1.00 | 0.635 | 1.00 | | |
| Employee #7 | 2.040 | 1.10 | 2.230 | 1.10 | | | | | | | | |
| Employee #8 | 1.302 | 1.00 | | | 0.635 | 1.00 | 0.635 | 1.00 | 0.635 | 1.00 | 0.000 | 0.00 |
| Employee #9 | 2.333 | 1.00 | | | | | | | | | | |
| Employee #10 | 1.278 | 1.00 | | | 1.004 | 1.10 | | | | | | |
| Employee #11 | 2.873 | 1.00 | | | | | | | | | | |
| Employee #12 | 3.000 | 1.00 | 3.000 | 1.00 | | | | | | | | |

Final Monthly Premium PMPM:

| | Employee | Spouse | Children | Total |
|--------------|-----------|-----------|-----------|-------------|
| Employee #1 | \$ 276.88 | \$ 251.71 | \$ 159.84 | \$ 688.43 |
| Employee #2 | \$ 257.75 | | | \$ 257.75 |
| Employee #3 | \$ 273.61 | | | \$ 273.61 |
| Employee #4 | \$ 327.55 | \$ 301.55 | | \$ 629.10 |
| Employee #5 | \$ 285.69 | | \$ 319.67 | \$ 605.36 |
| Employee #6 | \$ 363.47 | \$ 363.47 | \$ 479.51 | \$ 1,206.45 |
| Employee #7 | \$ 564.84 | \$ 617.44 | | \$ 1,182.28 |
| Employee #8 | \$ 327.73 | | \$ 479.51 | \$ 807.24 |
| Employee #9 | \$ 587.24 | | | \$ 587.24 |
| Employee #10 | \$ 321.69 | | \$ 277.99 | \$ 599.68 |
| Employee #11 | \$ 723.16 | | | \$ 723.16 |
| Employee #12 | \$ 755.13 | \$ 755.13 | | \$ 1,510.26 |

NOTES:

- [1] As per the Market Reform Rule, when computing family premiums no more than the three oldest covered children under the age of 21 are taken into account whereas the premiums associated with each child age 21+ are included.
- [2] This sample calculation ignores the tobacco offset under a Wellness Program as described in the Market Reform Rule.
- [3] Minor rate variances may occur due to differences in rounding methodology.

Exhibit N - Federal MLR Estimated Calculation

HMO Colorado, Inc. Small Group

Numerator:

| | | |
|--|---------------|-----------|
| Incurred Claims | \$303.77 | Exhibit A |
| + Quality Improvement Expense | \$2.83 | Exhibit G |
| + Risk Corridor Contributions | \$0.00 | |
| + Risk Adjustment Contributions | \$0.00 | Exhibit F |
| - Reinsurance Receipts | \$0.00 | Exhibit F |
| - Risk Corridor Receipts: | \$0.00 | |
| - Risk Adjustment Receipts: | <u>\$0.00</u> | Exhibit F |
| = Estimated Federal MLR Numerator | \$306.60 | |

Denominator:

| | | |
|--|----------------|-----------|
| Premiums | \$383.70 | Exhibit A |
| - Federal and State Taxes | \$9.12 | Exhibit G |
| - Premium Taxes | \$0.00 | Exhibit G |
| - Reinsurance Contributions | \$5.10 | Exhibit F |
| - <u>Licensing and Regulatory Fees</u> | <u>\$12.61</u> | Exhibit G |
| = Estimated Federal MLR Denominator | \$356.87 | |

Estimated Federal MLR **85.91%**

NOTES:

The above calculation is purely an estimate and not meant to be compared to the minimum MLR benchmark for federal/state MLR rebate purposes:

- 1) The above calculation represents only the products in this filing. Federal MLR will be calculated at the legal entity and market level.
- 2) Not all numerator/denominator components are captured above (for example, third party vendors excess reimbursement, fraud and prevention program costs, payroll taxes, assessments for state high risk pools etc.).
- 3) Other adjustments may also be applied within the federal MLR calculation such as 3-year averaging, new business, credibility, deductible and dual option. These are ignored in the above calculation.
- 4) Licensing and Regulatory Fees include ACA-related fees as allowed under the MLR Final Rule

Exhibit O - Projected Index Rate Development

Effective January 1, 2014

HMO Colorado, Inc.
Small Group

| | | | |
|---|----|-----------------|---------------------------------------|
| 1) Projected Paid Claim Cost | \$ | 303.25 | Exhibit A, Line Item 8 |
| 2) <u>- Non-EHBs Embedded in Line Item 1) Above</u> | | <u>\$1.49</u> | Exhibit E (see footnote in Exhibit E) |
| 3) = Projected Paid Claims, Excluding ALL Non-EHBs | \$ | 301.76 | |
| 4) + Rx Rebates | | (\$2.52) | Exhibit E |
| 5) <u>+ Additional EHBs {1}</u> | | <u>\$0.22</u> | Exhibit E |
| 6) = Projected Paid Claims Reflecting <i>only</i> EHBs | \$ | 299.46 | |
| 7) <u>÷ Paid to Allowed Ratio</u> | | <u>0.6968</u> | |
| 8) = Projected Allowed Claims Reflecting <i>only</i> EHBs | | \$429.78 | = Index Rate |

NOTES:

{1} Pediatric Dental and Pediatric Vision

Exhibit P - Development of Required Premium from Index Rate

Effective January 1, 2014

HMO Colorado, Inc. Small Group

| | <u>Weighted Average for Risk Pool</u> | |
|---|---|--|
| 1) Index Rate | \$429.78 | Exhibit O |
| 2) <u>x Paid to Allowed Ratio</u> | <u>0.6968</u> | Exhibit O |
| 3) = Projected Paid Claims Reflecting <i>only</i> EHBs | \$299.46 | |
| <u>Allowable Index Rate Adjustments {1} {2}:</u> | | |
| 4) x Benefit Adjustments | 1.0000 | |
| 5) + Non-EHBs | \$4.31 | Exhibit E and Exhibit O |
| 6) x Catastrophic Adjustment | 1.0000 | |
| 7) x Network Adjustment | 1.0000 | |
| 8) + Risk Mitigation - Contributions and Payments | \$5.10 | Exhibit F |
| 9) <u>+ Selling Expense, Administration and Other Retention Items</u> | <u>\$74.83</u> | Exhibit G (also see Exhibit A, Line item 12) |
| 10) = Required Premium in Projection Period | \$383.70 | Ties to Exhibit A, Line item 13 |

NOTES:

- {1} Allowable adjustments to the index rate as made above are in accordance with the Market Reform and Payment Parameters Regulations.
- {2} The above illustrates the allowable adjustments to the average single risk pool index rate as included in this rate filing. These adjustments may vary on a plan by plan basis and such variances are captured in the benefit plan factors as summarized in Exhibit I.
- {3} Plan-level rates are obtained by multiplying the base rate as shown in line item 15 of Exhibit A by the benefit plan factors illustrated in Exhibit I. Further allowable adjustments (age, tobacco and area) are applied to arrive at final premium rates.

Exhibit Q - Quarterly Index and Base Rate

HMO Colorado, Inc. Small Group

| | Rates Effective: | | | | |
|-------------------------|------------------|-----------|-----------|-----------|-----------|
| | 1Q14 | 2Q14 | 3Q14 | 4Q14 | Wtd Avg |
| Renewing Member Months | 281,954 | 105,733 | 105,733 | 211,466 | 704,886 |
| Quarterly Allowed Trend | | 2.2% | 2.2% | 2.1% | |
| Index Rate | \$429.78 | \$ 439.02 | \$ 448.46 | \$ 457.99 | \$ 442.43 |
| Quarterly Paid Trend | | 2.4% | 2.4% | 2.4% | |
| Base Rate | \$ 277.06 | \$ 283.79 | \$ 290.72 | \$ 297.78 | |

NOTES:

{1} The 1Q14 index rate was derived in Exhibit O.

{2} The 1Q14 index rate is assumed to increase with quarterly allowed trend as illustrated above.

{3} The 1Q14 base rate was derived in Exhibit A.

{4} The 1Q14 base rate is assumed to increase with quarterly paid trend as illustrated above. This trend rate differs from the index rate trend in that it includes anticipated changes for non-EHBs, deductible leveraging, fees, and risk mitigation programs.

{5} Minor rate variances may occur due to differences in rounding methodology.

Exhibit R - Terminated Products

HMO Colorado, Inc. Small Group

Following are the products that will be terminated prior to the effective date:

This includes products that have experience included in the URRT during the experience period and any products that were not in effect during the experience period but were made available thereafter.

HIOS Product ID

HIOS Product Name

{1} Note: as each HIOS Product ID covers grandfathered along with non-grandfathered plans, product terminations are not applicable